



SYSTEMATIC EDUCATION GROUP BERHAD

(Company No. 145998-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

11th Floor, Wisma Damansara
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

10 November 2000

Directors:

Tan Sri Dato' Seri (Dr.) Abdullah bin Ayub (*Chairman*)
Tuan Haji Taib bin Rasak (*Managing Director*)
Tan Sri Dato' (Dr.) Abdullah bin Mohd Salleh (*Director*)
Dato' Shamsir bin Omar (*Director*)
Tan Hong Aik (*Director*)
Tuan Haji Othman bin Haji Dahlan (*Director*)

To: The Shareholders of Systematic Education Group Berhad

Dear Shareholder

- I. PROPOSED BONUS ISSUE OF 7,600,000 SEG NEW SHARES ON THE BASIS OF TWO (2) SEG NEW SHARES FOR EVERY FIVE (5) EXISTING SEG SHARES HELD
- II. PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN BBC
- III. PROPOSED ACQUISITION OF 98.51% EQUITY INTEREST IN SES
- IV. PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN SME
- V. PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN RMSB
- VI. PROPOSED ACQUISITION OF OFFICE BUILDINGS
- VII. PROPOSED WAIVER TO PRINCIPAL VENDORS OF ACQUIREE COMPANIES FROM HAVING TO UNDERTAKE A MANDATORY GENERAL OFFER FOR THE REMAINING SEG SHARES NOT HELD BY THEM AFTER THE PROPOSED ACQUISITIONS
- VIII. PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL

1. INTRODUCTION

- 1.1 On 25 October 1999, Amanah, on behalf of the Board of Directors of SEG, announced that the Company had entered into conditional sale and purchase agreements ("S&P") in relation to the following proposed acquisitions:
 - (a) Conditional S&P dated 22 October 1999 with KEB, Datin Mah and Kee Shih-Lene in respect of the proposed acquisition by the Company of 11,773,002 ordinary shares of RM1.00 each in BBC representing the existing 100% equity interest therein for a purchase consideration of RM37,993,318 to be satisfied by the issuance of 29,225,630 SEG New Shares at an issue price of RM1.30 per SEG New Share;
 - (b) Conditional S&P dated 22 October 1999 with Dato' Megat in respect of the proposed acquisition of Dato' Megat's right to receive 2,171,163 new ordinary shares of RM1.00 each in BBC (to be issued and valued at RM7,006,682) pursuant to the proposed acquisition by BBC of the remaining 30% equity interest in ORSB in exchange thereof by the issuance of 5,389,755 SEG New Shares at an issue price of RM1.30 per SEG New Share;

- (c) Conditional S&P dated 22 October 1999 with vendors detailed in Section 3.1 in respect of the proposed acquisition by the Company of up to 14,000,000 ordinary shares of RM1.00 each in SES which represents 100% equity interest therein. The purchase consideration shall be RM14,000,000 on the basis of 100% equity interest therein which will be satisfied by the issuance of 10,769,231 SEG New Shares at an issue price of RM1.30 per SEG New Share;
- (d) Conditional S&P dated 22 October 1999 with vendors detailed in Section 3.1 in respect of the proposed acquisition by the Company of 1,350,002 ordinary shares of RM1.00 each in SME representing 100% equity interest therein for a purchase consideration of RM6,500,000 to be satisfied by the issuance of 5,000,000 SEG New Shares at an issue price of RM1.30 per SEG New Share;
- (e) Conditional S&P dated 22 October 1999 with KEB in respect of the proposed acquisition by the Company of 500,000 ordinary shares of RM1.00 each in RMSB representing 100% equity interest therein for a purchase consideration of RM500,000 to be satisfied by the issuance of 384,615 SEG New Shares at an issue price of RM1.30 per SEG New Share; and
- (f) Two conditional S&P dated 22 October 1999 with MOCCIS and Ladang MOCCIS in respect of the proposed acquisition by the Company of two (2) 12-storey office blocks, identified as developer's plot nos. B 02/G to B 02/11 and B 01/G to B 01/11 situated at Phileo Damansara, Jalan Damansara, Kuala Lumpur for a purchase consideration of RM17,900,000 to be satisfied by the issuance of 13,769,231 SEG New Shares at an issue price of RM1.30 per SEG New Share.

The Proposed Acquisition of the Companies would result in a reverse take-over of SEG by KEB, Datin Mah and Kee Shih-Lene who would emerge as the Company's new controlling shareholders.

1.2 Additionally, the Board of Directors of SEG had, on the even date, announced that the Company is undertaking the following proposals:

- (a) Proposed bonus issue of 7,600,000 SEG New Shares on the basis of two (2) SEG New Shares for every five (5) existing SEG Shares held;
- (b) Proposed waiver to the Principal Vendors from having to undertake a mandatory general offer for the remaining SEG Shares not held by them after the Proposed Acquisitions; and
- (c) Proposed increase in the authorised share capital of SEG from RM20,000,000 comprising 20,000,000 SEG Shares to RM100,000,000 comprising 100,000,000 SEG Shares.

The Proposed Acquisition of Companies is inter-conditional. The Proposed Bonus Issue is conditional on the Proposed Acquisitions. The Proposed Acquisition of Office Buildings and Proposed Acquisition of Companies are inter-conditional. The Proposed Acquisition of Companies is not conditional on the Proposed Waiver.

1.3 On 16 February 2000, the Company announced that it had entered into a Supplemental S&P dated 16 February 2000 with the vendors of the Acquiree Companies and Office Buildings to revise certain terms of the Proposed Acquisition of BBC, Proposed Acquisition of SES, Proposed Acquisition of SME and Proposed Acquisition of Office Buildings. The Company also revised the proposed issue price of SEG New Shares to be issued as consideration for the Proposed Acquisitions from RM1.30 per SEG New Share to RM1.50 per SEG New Share and the number of SEG New Shares to be issued to the vendors. The revisions are tabulated below:

Transaction	As Announced on 25.10.1999		As Announced on 16.02.2000	
	Purchase Consideration RM	No. of SEG New Shares to be issued at RM1.30	Purchase Consideration RM	No. of SEG New Shares to be issued at RM1.50
Proposed acquisition of existing equity interest in BBC	37,993,318	29,225,630	36,814,800	24,543,200

Transaction	As Announced on 25.10.1999		As Announced on 16.02.2000	
	Purchase Consideration RM	No. of SEG New Shares to be issued at RM1.30	Purchase Consideration RM	No. of SEG New Shares to be issued at RM1.50
Proposed Acquisition of Dato' Megat's Right to Allotment in BBC	7,006,682	5,389,755	8,185,200	5,456,800
Proposed Acquisition of SES	14,000,000*	10,769,231	13,791,633	9,194,422
Proposed Acquisition of SME	6,500,000	5,000,000	6,500,000	4,333,333
Proposed Acquisition of RMSB	500,000	384,615	500,000	333,333
Proposed Acquisition of Office Buildings	17,900,000	13,769,231	14,600,000	9,733,333
Total	83,900,000	64,538,462	80,391,633	53,594,421

* When the announcement was made on 25 October 1999, it was assumed that the Proposed Acquisition of SES is on 100% shareholding of SES. On 16 February 2000, the Company announced that it would only be acquiring 98.51% equity interest in SES.

1.4 On 9 May 2000, the FIC approved the Proposed Acquisitions subject to, inter alia, the following conditions:

- (a) to inform the MOE in respect of the Proposed Acquisition of BBC and Proposed Acquisition of SES (the approval letter from the MOE was received on 15 May 2000);
- (b) to obtain the approval from the shareholders of SEG in an EGM to be convened whereby all interested parties in respect of the Proposals are to be excluded from voting;
- (c) to provide competent independent advice to the minority shareholders of SEG in respect to the Proposed Acquisition of Office Buildings and to obtain the approval of the FIC on the appointment of the Independent Adviser for the same, the approval of which was obtained from the FIC vide their letter dated 30 August 2000; and
- (d) to seek the approval of the FIC for the Independent Advice Circular to the minority shareholders which shall contain detailed information in respect of the Proposed Acquisitions and all interested parties and parties acting in concert with them, the approval of which was obtained vide the letter from the FIC dated 30 August 2000.

1.5 On 11 September 2000, Amanah, on behalf of the Board of Directors of SEG, announced that the SC vide its letter dated 4 September 2000 approved the Proposals subject to certain revisions as set out below:

- (i) Proposed Acquisition of the Office Buildings, at a purchase consideration of RM13,000,000 to be satisfied through the issuance of 8,666,667 SEG New Shares at an issue price of RM1.50 per SEG New Share, as opposed to the proposed purchase consideration of RM14,600,000 to be satisfied through the issuance of 9,733,333 SEG New Shares as originally proposed; and
- (ii) A moratorium is imposed on 26,263,878 SEG New Shares issued pursuant to the Proposed Acquisitions, as opposed to the proposed moratorium on 17,652,270 SEG New Shares as originally proposed.

The above revisions will result in an enlarged share capital of SEG after the Proposals of 79,127,755 SEG Shares.

The SC had, vide the same letter, approved the Proposals subject to the following conditions:

- (i) Amanah/SEG to inform the SC on the number of SEG Shares that will be disposed of by the principal shareholders resulting from the Proposed Acquisitions in order to fulfil the 25% public shareholding spread requirement upon the listing of the SEG New Shares issued pursuant to the Proposals or to submit to the SC the steps to be taken in order to meet the 25% public shareholding spread requirement prior to the listing of the said SEG New Shares on the KLSE;
- (ii) A moratorium is imposed on 26,263,878 SEG New Shares issued pursuant to the Proposed Acquisitions, as opposed to the proposed moratorium on 17,652,270 SEG New Shares as originally proposed. Amanah/SEG is/are required to submit to the SC, a list of shareholders together with the number of shares to be under the said moratorium for SC's approval. The SC had, vide their letter dated 16 October 2000, approved the aforementioned proposed moratorium;
- (iii) Amanah/SEG is/are required to disclose the revised purchase consideration of the Office Buildings totalling RM13,000,000 as approved by the SC, in the Circular to the shareholders of SEG;
- (iv) Amanah/SEG to submit a copy of the final draft of the Circular to the shareholders of SEG for the SC's perusal;
- (v) SEG to comply with the requirements which are stated in the SC's Guidelines, especially the requirements as stipulated in Chapters 13, 17 and 18.

Amanah and SEG are required to provide written confirmation to the SC on the compliance to all terms and conditions of SC's approval after the completion of the said Proposals.

1.6 Further, in relation to Amanah's application, on behalf of KEB, Datin Mah and Kee Shih-Lene ("Parties Acting in Concert"), for the waiver from the obligation to undertake a mandatory general offer to acquire the remaining SEG Shares not owned by them after the Proposed Acquisitions pursuant to Practice Note 2.9.1 of the Code, the Proposed Waiver will only be considered by the SC when the following have been obtained:

- (i) The Parties Acting in Concert are required to obtain the approval of shareholders of SEG in relation to the Proposed Waiver, on a poll at an EGM to be convened whereby all interested parties will abstain from voting. The results of the poll must be confirmed by an independent auditor;
- (ii) Competent independent advice in respect of the Proposed Waiver will be given to the shareholders of SEG. The appointment of an independent adviser and the Independent Advice Circular will require the approval of the SC; and
- (iii) The Parties Acting in Concert are required to submit statutory declarations to the SC to state that they have not acquired SEG Shares in the 6 months prior to the despatch of the Circular to the shareholders of SEG in relation to the Proposals, but subsequent to the negotiation, discussion, understanding or agreement with the directors of SEG in relation to the Proposed Acquisitions (the relevant dates of negotiation, discussion, understanding or agreement are required to be stated by them), whichever is earlier until the SC's approval on the Proposed Waiver is obtained.

The purpose of this Circular is to provide you with the information on the Proposals and to seek your approval on the ordinary resolutions to be tabled at the EGM to be convened on 25 November 2000. A notice of EGM is set out in this Circular.

In compliance with Practice Note 2.9.1 of the Code in respect of the Proposed Waiver, Chapter 20 of the SC's Policies and Guidelines on Issue/Offer of Securities and Part 5 of the KLSE Second Board Listing Requirements in respect of the Proposed Acquisition of Office Buildings, MIMB had on 5 November 1999 confirmed to the SC and KLSE on their eligibility to act as the Independent Adviser for the Proposed Acquisition of Office Buildings. The FIC had on 30 August 2000 confirmed that it has no objections to the appointment of MIMB as Independent Adviser for the Proposed Acquisition of Office Buildings and the contents of the Independent Advice Circular. The SC, had on 12 September 2000 approved the appointment of MIMB as the Independent Adviser for the Proposed Waiver. **The Independent Advice Circular will be despatch to you in due course.**

SHAREHOLDERS OF SEG ARE ADVISED TO READ THIS CIRCULAR AND THE INDEPENDENT ADVICE CIRCULAR, TO BE DESPACHED IN DUE COURSE, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM.

2. PROPOSED BONUS ISSUE

The Company proposes to undertake a bonus issue of 7,600,000 SEG New Shares to be credited as fully paid on the basis of two (2) SEG New Shares for every five (5) existing SEG Shares held.

The Proposed Bonus Issue will be made by way of capitalisation of RM7,600,000 from the reserves of the Company as at 31 December 1999 as follows:

	Audited as at 31.12.1999 RM'000	To be capitalised for the Proposed Bonus Issue RM'000	After the Proposed Bonus Issue RM'000
<i>Reserves:</i>			
Share premium	543	(543)	-
Revaluation reserve	2,555	-	2,555
Unappropriated profit	9,881	(7,057)	2,824
	12,979	(7,600)	5,379

The 7,600,000 SEG New Shares to be issued pursuant to the Proposed Bonus Issue will upon allotment and issue, be credited as fully paid and rank pari passu in all respects with the SEG Shares except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared by the Company, the entitlement date of which is prior to the date of allotment of SEG New Shares to be issued pursuant to the Proposed Bonus Issue.

On 4 September 2000, the SC approved the bonus issue of 543,000 SEG New Shares which will be capitalised from SEG's share premium account, as proposed. However, the SC has noted that the bonus issue of a total of 7,057,000 SEG New Shares which will be capitalised from SEG's unappropriated profits account need not require the SC's approval and therefore is allowed to be implemented.

In determining the shareholders' entitlement to the Proposed Bonus Issue, any fractional entitlements will be disregarded. Fractional entitlements shall be dealt with in such manner as the Directors in their discretion consider expedient and in the interest of the Company.

SEG New Shares issued pursuant to the Proposed Bonus Issue will be credited directly into the CDS accounts of the entitled shareholders. No physical share certificates will be issued to the entitled shareholders for the SEG New Shares. However, notices of allotment stating the number of SEG New Shares to be credited into the entitled shareholders' CDS accounts will be despatched to the entitled shareholders.

3. PROPOSED ACQUISITIONS

3.1 Details of the Proposed Acquisitions

The Proposed Acquisitions are summarised in tabular form as follows:

Acquiree company/ asset	Purchase consideration as approved by the SC RM'000	Vendor	No. of ordinary shares of RM1.00 each to be acquired	Equity interest acquired %	No. of SEG New Shares to be issued as consideration at RM1.50 per SEG Share '000	% Held [^]
BBC	45,000*	KEB	6,773,000	47.07	14,120	17.84
		Datin Mah	4,250,000	29.53	8,860	11.20
		Dato' Megat	2,617,544	18.19	5,457	6.90
		Kee Shih-Lene	750,002	5.21	1,563	1.98
		Subtotal	*14,390,546	100.00	*30,000	37.92
SME	6,500	KEB	700,002	51.85	2,247	2.84
		Mohd Nor bin Ibrahim	284,223	21.05	912	1.15
		Loh Poh Choo	111,491	8.26	358	0.45
		Cheam Tow Yong	254,286	18.84	816	1.03
		Subtotal	1,350,002	100.00	4,333	5.47
SES	13,792	KEB	12,271,633	87.65	8,181	10.34
		Noah Foundation	1,200,000	8.57	800	1.01
		Tan Sri Dato' Mohd Amin Osman	150,000	1.07	100	0.13
		Dato' Dr. Mokhzani bin Abdul Rahim	170,000	1.22	113	0.14
		Subtotal	13,791,633	98.51	9,194	11.62
RMSB	500	KEB	500,000	100.00	333	0.42
Office Buildings	13,000	MOCCIS	N/A	N/A	4,607	5.82
		Ladang MOCCIS	N/A	N/A	4,060	5.13
		Subtotal	N/A	N/A	8,667	10.95

Notes:

[^] Based on the enlarged share capital of SEG after the Proposals

* Based on the enlarged share capital after the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC

N/A Not applicable

3.2 Profit Guarantee/Moratorium on sale of SEG Shares

3.2.1 Profit Guarantee

On 22 October 1999, SEG had entered into a profit guarantee agreement which was varied by a supplemental agreement on 17 October 2000 with KEB as guarantor ("Guarantor") to guarantee the profits of BBC Group, SES Group and SME Group together upon the terms and conditions therein contained.

The profit guarantee agreement was varied in respect of the guaranteed period which is as follows:

As per the profit guarantee agreement dated 22 October 1999

Three (3) year period commencing from 1 January 2000 to 31 December 2002.

As per the supplemental profit guarantee agreement dated 17 October 2000

Three (3) year period commencing from the completion date of the Proposed Acquisition of BBC, Proposed Acquisition of SES and Proposed Acquisition of SME.

The salient terms and conditions of the said profit guarantee are as follows:-

- (i) The Guarantor had agreed to guarantee as follows:-
- (a) that the aggregate profit before taxation (“PBT”) of the BBC Group shall not be less than RM23,700,000 (“BBC Guaranteed Profit”); and
 - (b) that the aggregate PBT of SES Group and SME Group shall not be less than RM13,300,000 (“SES/SME Guaranteed Profit”)
- for the three (3) year period commencing from the completion date of the Proposed Acquisition of BBC, Proposed Acquisition of SES and Proposed Acquisition of SME which is within four (4) months from the date the last of the conditions precedent (as defined in the relevant Sale and Purchase Agreement dated 22 October 1999 in respect of the said companies) has been fulfilled (“Guarantee Period”).
- (ii) The Guarantor shall be deemed to have fulfilled the profit guarantee provided by the Guarantor under the said profit guarantee agreement in the event that the aggregate PBTs of BBC Group, and SES Group and SME Group at the end of the Guarantee Period exceed or equal to the aggregate BBC Guaranteed Profit and SES/SME Guaranteed Profit (“Guaranteed Profits”).
- (iii) The Guaranteed Profits shall be secured by the placement of quoted shares acceptable to the Company with a stakeholder.
- (iv) Datin Mah and Kee Shih-Lene as indemnifying parties had agreed to irrevocably, jointly and severally indemnify the Guarantor against 42.5% of all losses, damages, claims, demands, actions and proceedings of any nature that may be brought against the Guarantor as a result of or in connection with the Guarantor’s obligation under the BBC Guaranteed Profit.

3.2.2 Moratorium

Pursuant to Chapter 18 of the SC’s Policies and Guidelines On Issue/Offer Of Securities and SC’s approval letter dated 4 September 2000, a moratorium is imposed on 50% of SEG New Shares to be received as consideration by the vendors of the Acquiree Companies and the Office Buildings (“Vendors”).

Under the terms of the moratorium, the Vendors will not be allowed to sell, transfer or assign their shareholdings in SEG amounting to approximately 26,263,878 SEG New Shares, representing 50% of the number of SEG New Shares to be received as consideration for the Proposed Acquisitions, for one (1) year from the date the SEG New Shares are listed. Thereafter, the Vendors are allowed to sell, transfer or assign only up to a maximum of one-third per annum (on a straight-line basis) of their shareholding under moratorium.

The list of certain vendors and the number of SEG New Shares to be held under the moratorium, as approved by the SC vide its letter dated 16 October 2000 are as follows:

Vendor	No. of SEG New Shares under moratorium	% of the enlarged paid-up share capital of SEG
KEB	14,493,367	18.32
Datin Mah	5,588,745	7.06
Kee Shih-Lene	781,766	0.99
Noah Foundation	400,000	0.51
MOCCIS	2,500,000	3.16
Ladang MOCCIS	2,500,000	3.16
Total	26,263,878	33.20

3.3 Basis of Purchase Consideration

3.3.1 Proposed Acquisition of BBC

The purchase consideration of RM45,000,000 for the Proposed Acquisition of BBC is based on a willing-buyer willing-seller basis after taking into consideration the valuation of the BBC Group which is based on the valuation of the following:

1. the prospective earnings of the ORSB Group, a prospective wholly-owned subsidiary of BBC, after the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC is completed. ORSB currently holds 60% interest in SESB. The valuation of ORSB Group is based on the earnings method applying a net PE Multiple of 7.50 times to the estimated profit after tax and minority interest of ORSB Group of RM3.642 million for the financial year ending 31 December 2000. The PE Multiple of 7.50 times above represents a discount of approximately 55% to the average PE Multiple of selected listed companies that are involved in provision of private education of approximately 16.54 times (Source: Bloomberg as at 19 October 2000). The aforesaid discount of 55% is fair and reasonable due to the unlisted status of ORSB's shares.
2. the market value of 1 unit 5½ storey office block identified as Block B located at The Summit, Sri Kembangan, Selangor Darul Ehsan with the floor area of 33,585.7 sq. ft. and 2 shop lot units identified as unit Nos. 3.09a and 3.09b with the floor area of 21,986 sq. ft. and 15,482 sq. ft. respectively located on the third floor, The Summit, Sri Kembangan, Selangor Darul Ehsan owned by PFSB, a wholly-owned subsidiary of BBC valued at RM16,716,000 based on valuation report dated 24 January 2000 as appraised by professional independent valuers, Messrs Henry Butcher, Lim & Long Sdn Bhd on 20 January 2000 using the comparison and investment methods of valuation; and
3. the adjusted NTA of PLSB, a 30% owned associated company of BBC after taking into consideration the open market value of RM20,000,000 of the converted development land identified as Lot Nos. 501, 502 and 503, Mukim of Ulu Kelang, District of Gombak, Selangor Darul Ehsan, located at Taman Melawati, Ulu Kelang owned by PLSB as appraised by professional independent valuers Messrs Raine & Horne International Zaki & Partners on 30 December 1999 using the comparison and residual methods of valuation as provided by the valuation report dated 6 January 2000. The basis of the purchase consideration is as follows:

	RM'000	RM'000
Audited NTA of PLSB as at 31 August 1999		826
Open market value of the aforesaid land	20,000	
Net book value as at 31 August 1999	(16,246)	
Revaluation surplus before taxation	<u>3,754</u>	
Taxation at 28%	(1,051)	
Revaluation surplus after taxation	<u>2,703</u>	
Adjusted NTA of PLSB		<u>3,529</u>
30% of adjusted NTA		1,059

Valuation certificates in respect of the above properties are set out in Appendices XIV and XV respectively of this Circular.

The 11,773,002 existing ordinary shares of RM1.00 each and 2,617,544 new ordinary shares of RM1.00 each in BBC (pursuant to the proposed acquisition by BBC of the remaining 30% equity interest in its subsidiary, ORSB) will be acquired free from all charges, liens or any other encumbrances together with all rights attaching thereto including all bonuses, rights, dividends declared, paid or made in respect thereof after the completion date of the Proposed Acquisition of BBC. Apart from the purchase consideration, SEG would not assume any further liabilities.

The original cost of investment of the enlarged share capital in BBC of 14,390,546 ordinary shares of RM1.00 each incurred and to be incurred by the vendors of BBC is approximately RM30.6 million and the investments were and will be undertaken between 1997 and end of 2000. The following table summarises the breakdown of the original cost of investment incurred and to be incurred:

Name of Vendor	Equity Interest in the enlarged share capital of BBC (%)	Cost of investment (RM'000)	Date of investments
KEB	47.07	25,737	October 1999
Datin Mah	29.53	3,210	May 1997 and June 1998
Dato' Megat*	18.19	1,200	(Please refer to note below)
Kee Shih-Lene	5.21	434	May 1997 and June 1998
	100.00	30,581	

Note:

* This investment will be completed upon the completion of the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC.

3.3.2 Proposed Acquisition of SES

The purchase consideration of RM13,791,633 for the Proposed Acquisition of SES is based on a willing-buyer willing-seller basis after taking into consideration the valuation of the SES Group which is based on the valuation of the following:

1. the prospective earnings of PMSB, a wholly-owned subsidiary of SES. The valuation of PMSB is based on the earnings method by applying a net PE Multiple of 5.95 times to the estimated net profit after tax of PMSB of RM1.076 million for the financial year ending 31 December 2000. The PE Multiple of 5.95 times above represents a discount of approximately 64% to the average PE Multiple of selected listed companies that are involved in the provision of private education of approximately 16.54 times (Source: Bloomberg as at 19 October 2000). The aforesaid discount of 64% is fair and reasonable due to the unlisted status of PMSB's shares.
2. the market value of 1 unit 5½ storey office block identified as Block A with the floor area of 33,020.30 sq. ft. located at The Summit, Sri Kembangan, Selangor Darul Ehsan owned by BMSB, a wholly-owned subsidiary of SES, valued at RM7,595,000 based on valuation report dated 24 January 2000 as appraised by professional independent valuer, Messrs Henry Butcher, Lim & Long Sdn Bhd on 20 January 2000 using the comparison and investment methods of valuation. The valuation certificate in respect of the above property is set out in Appendix XIV of this Circular.

The 13,791,633 ordinary shares of RM1.00 each in SES will be acquired free from all charges, liens or any other encumbrances together with all rights attaching thereto including all bonuses, rights, dividends declared, paid or made in respect thereof after the completion date of the Proposed Acquisition of SES. Apart from the purchase consideration, SEG would not assume any further liabilities.

The original cost of investment of the entire issued and paid-up share capital in SES incurred and to be incurred by the vendors of SES is approximately RM13.8 million and the investments were and will be undertaken between 1989 and end of 2000. The following table summarises the breakdown of the original cost of investment incurred and to be incurred:

Name of Vendor	Equity Interest (%)	Cost of investment (RM'000)	Date of investments
KEB			
Incurred	86.09	12,045	October 1999 to June 2000
To be incurred	1.56	219	(Please refer Note below)
Sub-total	87.65	12,264	
Noah Foundation	8.57	1,200	October 1993
Tan Sri Dato' Mohd Amin Osman	1.07	150	August 1989 to December 1999
Dato' Dr. Mokhzani bin Abdul Rahim	1.22	170	May 1991 and December 1999
	98.51	13,784	

Note:

This investment will be completed upon the approval of SEG's shareholders for the Proposed Acquisition of Companies.

3.3.3 Proposed Acquisition of SME

The purchase consideration of RM6,500,000 for the Proposed Acquisition of SME is based on a willing-buyer willing-seller basis after taking into consideration the earnings potential of the SME Group.

The valuation of SME is based on the earnings method by applying a net PE Multiple of 6.87 times to the estimated profit after taxation of SME of RM951,000 for the financial year ending 31 December 2000. The PE Multiple of 6.87 times above represents a discount of approximately 58% to the average PE Multiple of selected listed companies that are involved in the provision of private education of approximately 16.54 times (Source: Bloomberg as at 19 October 2000). The aforesaid discount of 58% is fair and reasonable due to the unlisted status of SME's shares.

The 1,350,002 ordinary shares of RM1.00 each in SME will be acquired free from all charges, liens or any other encumbrances together with all rights attaching thereto including all bonuses, rights, dividends declared, paid or made in respect thereof after the completion date of the Proposed Acquisition of SME. Apart from the purchase consideration, SEG would not assume any further liabilities.

The original cost of investment of the entire issued and paid-up share capital in SME incurred by the vendors of SME was approximately RM1.3 million and the investments were undertaken on June 1998 and October 1999. The following table summarises the breakdown of the original cost of investment incurred:

Name of Vendor	Equity Interest (%)	Cost of investment (RM'000)	Date of investments
KEB	51.85	700	October 1999
Mohd. Nor. bin Ibrahim	21.05	352	June 1998
Loh Poh Choo	8.26	143	October 1999
Cheam Tow Yong	18.84	113	October 1999
	100.00	1,308	

3.3.4 Proposed Acquisition of RMSB

The purchase consideration of RM500,000 for the Proposed Acquisition of RMSB is based on a willing-buyer willing-seller basis after taking into consideration the NTA of the RMSB Group of approximately RM500,000 based on its unaudited accounts as at 31 October 1999.

The 500,000 ordinary shares of RM1.00 each in RMSB will be acquired free from all charges, liens or any other encumbrances together with all rights attaching thereto including all bonuses, rights, dividends declared, paid or made in respect thereof after the completion date of the Proposed Acquisition of RMSB. Apart from the purchase consideration, SEG would not assume any further liabilities.

The original cost of investment of the entire issued and paid-up share capital in RMSB incurred by the vendor of RMSB was approximately RM0.5 million and the investments were undertaken in 1999.

3.3.5 Proposed Acquisition of Office Buildings

Description of Office Buildings

The two (2) blocks of 12 storey office buildings identified as developers' plot nos. B 01/G to B 01/11 and B02/G to B 02/11 are situated at Phileo Damansara, Jalan Damansara, Kuala Lumpur.

The access to the Office Buildings from Kuala Lumpur is via Jalan Duta and Jalan Damansara. The surrounding area is generally under mixed development comprising commercial and residential properties. Basic retail shopping, medical, educational, banking and other town amenities are available within easy reach.

Presently, the Office Buildings enjoy an approximately 88% tenancy rate. MOCCIS and Ladang MOCCIS have entered into a tenancy agreement on 1 June 2000 with the Ministry of Human Resources ("Ministry") for the Ministry to take-up two (2) units, each in B01 and B02, for a period of three (3) years commencing on 1 June 2000 for rental of RM1.30 per square feet per month. Further, MOCCIS/Ladang MOCCIS have an understanding with the Ministry for the Ministry to take-up the remaining three (3) untenanted units of the two (2) blocks of building which are subject to approval by the Treasury Department of the Ministry of Finance. Once the three (3) units are taken-up by the Ministry, the office building will be 100% tenanted. Barring any unforeseen circumstances, the rental income with 100% occupancy is estimated to be RM482,000 per annum. The current rental rates range between RM1.00 to RM2.00 per sq. ft.

Presently, the tenancy agreements with the existing tenants of the Office Buildings are for a period of two (2) years with an option to renew for an additional one or two years. It is SEG's intention to review the tenancy agreements when the same are up for renewal as the Company has plans to conduct adult and children education classes in languages, art and craft, music and drama and multi-media at the Office Buildings.

The details of the Office Buildings are as follows:

Type and location	Existing use	Tenure/ Expiry date	Land area/ built-up area (sq. ft.)	Audited net book value as at 31 December 1999	Approximate age (year)
Block B01 & B02, Pusat Dagangan Phileo Damansara I, No. 9 Jalan 16/11, 46350 Petaling Jaya erected on part of Lot 907 and 1603 Mukim of Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan	2 blocks of 12 storey purpose built commercial building, each block providing shop space on ground floor and office space for 1 st to 11 th floor	Freehold	<p><u>B01</u> Net lettable area - 29,551 sq.ft. Gross built-up area - 31,720 sq.ft. Land area - 2,730 sq.ft.</p> <p><u>B02</u> Net lettable area - 28,839 sq.ft. Gross built-up area - 31,720 sq.ft. Land area - 2,730 sq.ft.</p>	<p>Block B01 - RM8,939,433</p> <p>Block B02 - RM8,397,947</p>	(3) three years

Basis of valuation

The original purchase consideration of RM14,600,000 for the Office Buildings was based on the Valuation Report dated 11 February 2000 prepared by the independent valuers, Azmi & Co. Sdn Bhd based on the valuation method as set out below.

The basis of valuation as stated in the report is on market value. By market value, it is meant that the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. (*MALAYSIAN VALUATION STANDARDS: STANDARD 1 – Market Value Basis of Valuation*).

Under the Market Value Basis of Valuation, the "Comparison" and "Investment" approaches were used to provide means for determining the market value of the subject property. Under the Comparison Approach, an estimate of value is derived by comparing the property under valuation with other properties of similar size, quality and location that have been sold in recent times. Under the Investment Approach, the value is derived by ascertaining the economic rent of the property, deducting all reasonable operating expenses, and then capitalising the resultant net operating income by an appropriate rate of capitalisation to obtain the present value of the forecasted income stream.

The Office Buildings will be acquired free from all charges, liens or any other encumbrances together with all rights attaching thereto after the completion date of the Proposed Acquisition of Office Buildings. Apart from the purchase consideration, SEG is not required to assume any further liabilities.

On 4 September 2000, the SC approved the Proposed Acquisition of Office Buildings at a revised purchase consideration of RM13,000,000 to be satisfied by the issuance of 8,666,667 SEG New Shares at an issue price of RM1.50 per SEG New Share.

Further details of the Office Buildings, their valuations and the Valuation Certificate are set out in Appendix XVI.

3.4 Valuation of SEG Shares

The issue price of RM1.50 per SEG New Share for the Proposed Acquisitions was based on a willing buyer-willing seller basis and is at a premium of 28.2% above the consolidated audited NTA per share of RM1.17 as at 31 December 1998 adjusted for the Proposed Bonus Issue and is a 3.4% premium over the theoretical ex-bonus price of SEG Shares of RM1.45 each, based on the 5-day weighted average market price of SEG Shares of RM2.03 as at 22 October 1999, being the last day of trading prior to the suspension of SEG Shares on 25 October 1999. The aforesaid premium of 3.4% over the theoretical ex-bonus price of SEG Shares of RM1.45 per share, based on the 5-day weighted average market price is to reflect the Proposed Acquisition of Office Buildings which is a related party transaction. There is also a premium for the Proposed Acquisition of Companies to simplify the corporate exercise by having the same swap price for all the acquisitions. The swap price, at a premium, would be in the best interest of SEG and its shareholders.

3.5 Ranking of SEG New Shares To be Issued Pursuant to the Proposed Acquisitions

The 52,527,755 SEG New Shares to be issued pursuant to the Proposed Acquisitions will upon allotment and issue, rank *pari passu* in all respects with the existing SEG Shares except that they will not be entitled to the Proposed Bonus Issue and any dividends, rights and/or any distributions that may be declared by the Company, the entitlement date of which is prior to the date of allotment of the SEG New Shares to be issued pursuant to the Proposed Acquisitions.

3.6 Details of the Acquiree Companies

3.6.1 BBC Group

BBC was incorporated in Malaysia under the Companies Act, 1965 on 8 November 1996. The present authorised share capital of the company is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each of which 11,773,002 ordinary shares have been issued and fully paid-up. After the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC, the issued and paid-up share capital of BBC will increase to RM14,390,546 comprising 14,390,546 ordinary shares of RM1.00 each.

BBC is principally an investment holding company. The ORSB Group are primarily involved in the provision of education and training services through the operation of PRIME College, and the Summit located at Subang USJ, Alor Setar and Miri. The full description of the business of the BBC Group is set out in Appendix II of this Circular.

Further details on the subsidiary/associated companies of BBC Group as at 29 September 2000 are as follows:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	% Effective Equity held	Principal activities
<i>Subsidiary Companies</i> Organizational Resources Sdn Bhd	27.04.1983 Malaysia	1,515,000	*70.00	Provision of educational and training services (Operator of PRIME College)
Superior Element Sdn Bhd (60% owned subsidiary of ORSB)	01.06.1998 Malaysia	100,000	^42.00	Provision of educational and training services
Prestige Front Sdn Bhd	27.04.1996 Malaysia	740,000	100.00	Property investment
<i>Associated Company</i> Palm Leisure Sdn Bhd	25.10.1993 Malaysia	1,000,000	30.00	Property development

Note:

* The equity interest in ORSB will increase to 100% after the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC

^ BBC's effective equity interest in Superior Element Sdn Bhd will increase to 60% after the Proposed Acquisition of Dato' Megat's Right to Allotment in BBC

3.6.2 SES Group

SES was incorporated in Malaysia under the Companies Act, 1965 on 1 November 1984. The present authorised share capital of the company is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each of which 14,000,000 ordinary shares have been issued and fully paid-up.

The principal activities of SES are investment holding and management consultancy services whilst the principal activities of its subsidiary companies primarily involve the operation of institutes providing educational programmes through the operation of Summit International College and MSC International College. The full description of the business of SES Group is set out in Appendix III of this Circular.

Further details on the subsidiary companies of SES as at 29 September 2000 are as follows:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	% Equity Held	Principal activities
Premier Media Sdn Bhd	17.12.1993 Malaysia	200,000	100.00	To carry out the business of operating an institute providing educational programmes (Operator of Summit International College)
Summit Multimedia Education Sdn Bhd	12.11.1990 Malaysia	750,000	100.00	To carry out the business of operating an institute providing educational programmes (Operator of MSC International College)
Binary Mark Sdn Bhd	04.08.1999 Malaysia	2	100.00	Property investment

Note:

SES has no associated company

3.6.3 SME Group

SME was incorporated in Malaysia under the Companies Act, 1965 on 13 February 1996. The present authorised share capital of the company is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which 1,350,002 ordinary shares have been issued and fully paid-up.

SME is principally involved in the operation of child-care centres under the name of "Taska Sri Emas" and "Tadika Sri Emas" (St. Nicholas Montessori Children's House). SME has currently seven (7) centres located at Melaka, Subang, Klang, Bandar Utama, Rawang and Penang. The full description of the business of SME Group is set out in Appendix IV of this Circular.

Further details on the subsidiary company of SME as at 29 September 2000 is as follows:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	% Equity Held	Principal activities
Montessori Focus Sdn Bhd	21.03.1996 Malaysia	805,000	100.00	Operator of child-care centres

Note:

SME has no associated company

3.6.4 RMSB Group

RMSB was incorporated in Malaysia under the Companies Act, 1965 on 15 October 1999. The present authorised share capital of the company is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each of which 500,000 ordinary shares have been issued and fully paid-up.

RMSB is principally an investment holding company with its wholly-owned subsidiary, Sadec-KE Utilities Corporation Sdn Bhd involved in the operation of children's educational and recreational centre under the name of "Kidsports Family Fun & Fitness Centre", located at The Summit, Subang USJ. The full description of the business of RMSB is set out in Appendix V of this Circular.

Further details on the subsidiary company of RMSB as at 29 September 2000 is as follows:

Name of company	Date and place of incorporation	Issued and paid-up share capital RM	% Equity Held	Principal activities
Sadec-KE Utilities Corporation Sdn. Bhd.	18.11.92 Malaysia	500,000	100.00	Operation of children's educational and recreational centre

Note:
RMSB has no associated company.

3.7 Details of the Vendors

3.7.1 KEB

KEB was incorporated as a private limited company in Malaysia on 8 August 1973 under the Companies Act, 1965 under the name Kumpulan Emas Sdn Bhd. After having changed its status to a public company, the Company adopted its present name on 24 July 1984 and subsequently listed on the Main Board of the KLSE on 21 September 1984. The present authorised share capital of the company is RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each of which 414,413,938 ordinary shares of RM0.50 each have been issued and fully paid-up as at 29 September 2000.

The principal activities of its subsidiary companies include process engineering and operation for clean water and waste water treatment plants, undertaking turnkey projects for palm oil mills, mechanical and structural services for general industries, property development and investment, operation of timber concessions, cultivation of oil palm, provision of agricultural advisory services to promote and develop oil palm, palm oil milling, operation of colleges and child-care centres as well as children's educational and recreational centres, provision of educational programmes and training services and investment holding.

The principal activities of its associated companies include property development and investment holding in respect of a water supply project in Vietnam.

3.7.2 MOCCIS

MOCCIS was incorporated in Malaysia on 3 July 1934 under the Co-operative Societies Act, 1993. MOCCIS Group has members' shareholder's funds of RM127,859,766 as at 29 September 2000. As at 29 September 2000, MOCCIS has 6,631 members.

MOCCIS is a co-operative with investments in education, plantation, trading, manufacturing, property management and development and hotel operations.

The Directors of MOCCIS are also members of the co-operative. They do not hold any shares, either direct or indirect, in MOCCIS as the company is a co-operative. The following table lists the Directors of MOCCIS as at 29 September 2000:

Name	Designation	Nationality
Tan Sri Dato' Seri (Dr.) Abdullah bin Ayub	Chairman/Director	Malaysian
Tan Sri Datuk (Dr) Arshad bin Ayub	Vice-Chairman/ Director	Malaysian
Dato' Raja Zulkepley bin Dahalan	Secretary/Director	Malaysian
Datin Hajjah Fadzilah bte. Hj. Saad	Treasurer/Director	Malaysian
Tan Sri Dato' (Dr.) Abdullah bin Mohd Salleh	Director	Malaysian