

ACCOUNTANTS' REPORT ON THE ACQUIREE COMPANIES*(Prepared for the inclusion in this Circular)*

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The Board of Directors
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3 November 2000

Dear Sirs

This report has been prepared for inclusion in the Circular to Shareholders of Systematic Education Group Berhad ("SEG") to be dated 10 November 2000 in connection with SEG's Corporate Proposals which comprise the following:-

- (i) Proposed acquisition by SEG of 11,773,002 ordinary shares of RM1.00 each in Berrington Bay Corporation Sdn Bhd ("BBC") representing the existing 100% equity interest therein for a purchase consideration of RM36,814,800 to be satisfied by the issuance of 24,543,200 new ordinary shares of RM1.00 each in SEG ("SEG New Shares") at an issue price of RM1.50 per SEG New Share;
 - (ii) Proposed acquisition by SEG of Y. Bhg. Dato' Haji Megat Najmuddin bin Dato' Seri (Dr) Haji Megat Khas ("Dato' Megat")'s right to receive 2,617,544 new ordinary shares of RM1.00 each in BBC (to be issued and valued at RM8,185,200) pursuant to the proposed acquisition by BBC of the remaining 30% equity interest in Organizational Resources Sdn Bhd ("ORSB") in exchange thereof by the issuance of 5,456,800 SEG New Shares at an issue price of RM1.50 per SEG New Share;
- (i) and (ii) are collectively referred to as the Proposed Acquisition of BBC*
- (iii) Proposed acquisition by SEG of 13,791,633 ordinary shares of RM1.00 each in Summit Education Sdn Bhd ("SES") which represents 98.51% equity interest therein. The purchase consideration shall be RM13,791,633 on the basis of acquisition of 98.51% equity interest therein which will be satisfied by the issuance of 9,194,422 SEG New Shares at an issue price of RM1.50 per SEG New Share;
 - (iv) Proposed acquisition by SEG of 1,350,002 ordinary shares of RM1.00 each in Summit Montessori Edu-Care Sdn Bhd ("SME") representing 100% equity interest therein for a purchase consideration of RM6,500,000 to be satisfied by the issuance of 4,333,333 SEG New Shares at an issue price of RM1.50 per SEG New Share;
 - (v) Proposed acquisition by SEG of 500,000 shares of RM1.00 each in Rekaan Medianet Sdn Bhd ("RMSB") representing 100% equity interest therein for a purchase consideration of RM500,000 to be satisfied by the issuance of 333,333 SEG New Shares at an issue price of RM1.50 per SEG New Share;

The acquisitions in (i) to (v) above are hereinafter referred to as the Proposed Acquisition of Acquiree Companies.



- (vi) Proposed acquisition of two (2) 12-storey blocks, identified as developer's plot nos. B02/G to B02/11 and B01/G to B01/11 situated at Phileo Damansara, Jalan Damansara, Kuala Lumpur for a 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 ("Proposed Acquisition of Office Buildings").

The Proposed Acquisition of Acquiree Companies and Proposed Acquisition of Office Buildings are hereinafter referred to as the Proposed Acquisitions. The Company wishes to undertake the following proposals:

- (vii) Proposed bonus issue of 7,600,000 SEG New Shares on the basis of two (2) SEG New Shares for every five (5) SEG Shares held ("Proposed Bonus Issue");
- (viii) Proposed increase in authorised share capital from RM20,000,000 comprising 20,000,000 SEG Shares of RM1.00 each to RM100,000,000 comprising 100,000,000 SEG Shares of RM1.00 each; and
- (ix) Proposed waiver to Kumpulan Emas Bhd ("KEB"), Datin Mah Ming Yuet and Kee Shih-Lene, the principal vendors of the acquiree companies, referred to in paragraphs (i) to (v) above from having to undertake a mandatory general offer for the remaining shares in SEG not held by them after the Proposed Acquisitions ("Proposed Waiver").

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

1 General information

For the purpose of the summary of the results, balance sheets and statement of assets and liabilities, the following definitions are applied:-

BBC Group	:	Berrington Bay Corporation Sdn Bhd and its subsidiaries
SES Group	:	Summit Education Sdn Bhd and its subsidiaries
RMSB Group	:	Rekaan Medianet Sdn Bhd and its subsidiary
SME Group	:	Summit Montessori Edu-Care Sdn Bhd and its subsidiary

1.1 BBC Group - Background

The Company 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 30% equity interest in ORSB from Dato' Megat, the issued and paid-up 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 and management consultancy company whilst the principal activities of its subsidiary and associated companies are stated as follows:-

Name	Date of Incorporation	<-----Share Capital----->		Equity interest	Principal activity
		Authorised RM	Issued and paid-up RM		
<i>Subsidiary Company</i> Organizational Resources Sdn Bhd ("ORSB")*	27 April 1983	2,000,000	1,515,000	70%	Provision of educational and training services.
Prestige Front Sdn Bhd ("PFSB")	27 April 1996	1,000,000	740,000	100%	Property investment.
Superior Elements Sdn Bhd("SESB")*	1 June 1998	100,000	100,000	42%	Provision of educational and training services.
<i>Associated Company</i> Palm Leisure Sdn Bhd ("PLSB")	25 October 1993	1,000,000	1,000,000	30%	Property development.

* The equity interest in ORSB will increase to 100% after the proposed acquisition by BBC of 30% equity interest in ORSB from Dato' Megat.

* Held directly through ORSB. BBC's effective equity interest in SESB will increase to 60% after the proposed acquisition by BBC of 30% equity interest in ORSB from Dato' Megat.

1.2 Movements in Share Capital

1.2.1 BBC

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
08.11.1996	2	Subscribers' shares	2
05.05.1997	5,000,000	Otherwise than cash	5,000,002
06.07.1999	6,773,000	Cash , at premium RM 2.80 per share	11,773,002

1.2.2 ORSB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
27.04.1983	2	Subscribers' shares	2
10.05.1983	249,998	Cash	250,000
30.06.1984	250,000	Cash	500,000
25.11.1986	105,000	Otherwise than cash	605,000
25.11.1986	350,000	Cash	955,000
30.04.1997	560,000	Cash	1,515,000

1.2.3 SESB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
01.06.1998	2	Subscribers' shares	2
15.06.1999	99,998	Cash	100,000

1.2.4 PFSB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
27.04.1996	2	Subscribers' shares	2
27.05.1996	98	Cash	100
30.04.1997	739,900	Cash	740,000

1.3 SES Group - Background

The Company was incorporated in Malaysia under the Companies Act, 1965 on 1 November 1994. 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 issued and paid-up share capital of SES is RM14,000,000 comprising 14,000,000 ordinary shares of RM1.00 each.

The principal activity of SES is investment holding and provision of management consultancy services whilst the principal activities of its subsidiary companies are stated as follows:-

Name	Date of Incorporation	<-----Share Capital----->		Equity interest	Principal activity
		Authorised RM	Issued and paid-up RM		
Premier Media Sdn Bhd ("PMSB")	17 December 1993	500,000	200,000	100%	To carry out the business of operating an institute providing educational programmes.
Summit Multimedia Education Sdn Bhd (formerly known as Malaysian-Syme Business Sdn Bhd) ("SMESB")	12 November 1990	1,000,000	750,000	100%	To carry out the business of operating an institute providing educational programmes.
Binary Mark Sdn Bhd ("BMSB")	4 August 1999	100,000	2	100%	Property investment.

1.4 Movements of share capital

1.4.1 SES

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
01.11.1984	2	Subscribers' shares	2
20.05.1985	49,998	Cash	50,000
12.05.1988	200,000	Cash	250,000
24.08.1989	350,000	Cash	600,000
13.05.1991	600,000	Cash	1,200,000
23.01.1992	1,800,000	Right Issue	3,000,000
21.05.1993	1,000,000	Right Issue	4,000,000
20.12.1999	600,000	Cash	4,600,000
20.01.2000	9,400,000	Cash	14,000,000

1.4.2 PMSB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
17.12.1993	2	Subscribers' shares	2
07.03.1994	99,998	Cash	100,000
18.03.1999	100,000	Cash	200,000

1.4.3 SMESB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
12.11.1990	2	Subscribers' shares	2
03.01.1991	99,998	Cash	100,000
09.01.1992	150,000	Cash	250,000
15.11.1993	500,000	Cash	750,000

1.5 RMSB Group - Background

RMSB was incorporated on 15 October 1999. Its authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which 500,000 ordinary shares of RM1.00 each are currently issued and fully paid up.

RMSB is principally an investment holding company.

Its wholly owned subsidiary, Sadec-KE Utilities Corporation Sdn Bhd (“Sadec-KE”) is principally involved in the operation of children’s educational and recreational centre.

1.6 Movements in share capital

1.6.1 RMSB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
15.10.1999	2	Subscribers’ shares	2
18.10.1999	499,998	Cash	500,000

1.6.2 Sadec-KE

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
18.11.1992	2	Subscribers’ shares	2
18.10.1999	499,998	Cash	500,000

1.7 SME Group - Background

The Company 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 nursery and child care centres whilst the principal activities of its subsidiary company is stated as follows:-

Name	Date of Incorporation	<-----Share Capital----->			
		Authorised RM	Issued and paid-up RM	Equity interest	Principal activity
<i>Subsidiary Company</i>					
Montessori Focus Sdn Bhd (formerly known as Beyond Multistores Sdn Bhd) ("MFSB")	21 March 1996	1,000,000	805,000	100%	Operator of child care centres

1.8 Movements in share capital

1.8.1 SME

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
13.02.1996	2	Subscribers' shares	2
01.06.1998	650,000	Otherwise than cash	650,002
16.06.1999	700,000	Cash	1,350,002

1.8.2 MFSB

Date of Allotment	No. of Shares Issued	Consideration	Total Issued and Paid-up Capital (RM)
21.03.1996	2	Subscribers' shares	2
07.08.1996	179,998	Cash	180,000
07.08.1996	200,000	Otherwise than cash	380,000
18.11.1996	275,000	Cash	655,000
20.02.1998	150,000	Cash	805,000

2 Accounts and Auditors

2.1 BBC Group

We have not acted as the auditors for all the companies in the BBC Group. All the accounts were audited by other firms of accountants.

The auditors' reports for the financial years/periods under review were not subject to any qualification.

2.2 SES Group

We have acted as the auditors for SES, PMSB and SMESB since the year ended 31 July 1997. Accounts prior to the year ended 31 July 1997 were audited by another firm of accountants.

The auditors' reports for the financial years/periods under review were not subject to any qualification.

2.3 RMSB Group

RMSB was incorporated on 15 October 1999. The first set of accounts has yet to be audited.

We have acted as the auditors for Sadec-KE since its date of incorporation on 18 November 1992. The auditors' reports of Sadec-KE for the relevant financial years were not subject to any qualification.

2.4 SME Group

We have not acted as the auditors for all the companies of the SME Group. All the accounts were audited by other firms of accountants.

The auditors' reports for the financial years/periods under review were not subject to any qualification.

3 Dividends

There are no dividends paid or declared by all the companies for all the financial years/periods under review.

4 Summary of results

4.1 BBC Group

	<-----Proforma----->			<-----Audited----->			Unaudited
	Year ended 31 December						
	1994	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	3,650	4,868	6,311	7,609	7,193	7,117	8,135
Profit before depreciation and interest expense	47	749	868	966	1,187	1,182	2,474
Depreciation	(207)	(221)	(265)	(408)	(475)	(544)	(437)
Interest expense	(39)	(29)	(15)	(192)	(237)	(311)	(287)
Profit/(loss) before taxation	(199)	499	588	366	475	327	1,750
Share of associated company's loss	-	-	-	-	-	(11)	(11)
Profit/(loss) before taxation and after share of associated company's loss	(199)	499	588	366	475	316	1,739
Less : Taxation	-	-	-	-	(230)	-	(570)
Profit/(loss) after taxation	(199)	499	588	366	245	316	1,169
Minority interest	-	-	-	-	-	(202)	(386)
Profit after taxation and minority interest	(199)	499	588	366	245	114	783
Number of ordinary shares of RM 1.00 each in issue ('000)	5,000	5,000	5,000	5,000	5,000	11,773	11,773
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 6,773,000 ordinary shares of RM1.00 each in July 1999 ('000)	5,000	5,000	5,000	5,000	5,000	8,387	11,773
Net earnings per share (RM)#	0.04	0.10	0.12	0.07	0.05	0.01	0.11*

* Annualised

Net earnings per share has been calculated based on profit after taxation and after share of associated company's results and minority interest on the weighted average number of ordinary shares

Notes:-

- (a) The summarised results for the three (3) financial years ended 31 December 1997 to 31 December 1999 are based on BBC Group's audited consolidated accounts. The summarised results of BBC Group for the financial years ended 31 December 1994 to 31 December 1996 have been prepared based on the proforma audited accounts of BBC Group on the assumption that BBC has been incorporated as at 1 January 1994.
- (b) The increase in turnover from 1995 to 1997 was due to the increase in the number of student intakes for its educational programmes. Correspondingly, the profit after taxation from 1995 to 1996 has also improved. However, the profit after taxation in 1997 has decreased as compared to previous year mainly due to operational and administrative cost incurred by BBC, since its incorporation on 8 November 1996.

The decrease in turnover and profit after taxation for BBC Group in 1998 compared to the previous year was mainly due to the economic downturn. The effect of the decrease in student intake for the A-Level programme was set off by the increase in students for the Universiti Putra Malaysia (UPM) course which was introduced in 1998. However, the profit before taxation for 1999 was lower as compared to 1998 as the group incurred relocation cost as well as renovation cost after the education operations moved to a new and larger campus in The Summit USJ, Subang Jaya.

In 2000, the increase in turnover for BBC Group was mainly due to increase in student intake, especially with the introduction of short courses in management, finance and E-commerce, coupled with a larger campus and better educational facilities available after the relocation to the new campus at The Summit USJ. In addition, the increase in profit before taxation was mainly due to the introduction of short courses with higher profit margin.

- (c) There were no extraordinary or exceptional items during the years/periods under review.
- (d) There were no provision for taxation for the financial years ended 31 December 1994 to 1997 due to utilisation of unabsorbed tax losses and unabsorbed capital allowances brought forward.

However, in 1998, the effective tax rate for BBC Group was higher than the statutory rate due to certain expenses being disallowed for tax purposes.

There was no tax charge for chargeable income in 1999 as the amount payable for that year was waived in accordance with the Income Tax (Amendment) Act, 1999.



4.1.1 BBC – The Company

	<-----Audited----->			Unaudited
	Date of incorporation, 8 November 1996 to 31 December 1997 RM'000	Year ended <-- 31 December-- > 1998 1999 RM'000		7 months ended 31 July 2000 RM'000
Turnover	-	-	375	656
Loss before depreciation and interest expense	(318)	(25)	(57)	(22)
Depreciation	-	-	-	-
Interest expense	-	-	-	-
Loss before and after taxation	(318)	(25)	(57)	(22)
Number of ordinary shares of RM 1.00 each in issue ('000)	5,000	5,000	11,773	11,773
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 6,773,000 ordinary shares of RM1.00 each in July 1999 ('000)	5,000	5,000	8,387	11,773
Net loss per share (RM)#	(0.06)	(0.01)	(0.007)	(0.003)*

*Annualised

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares

Notes:-

- (a) The principal activity of the Company is that of investment holding and provision of management consultancy. There is no turnover for the company during the period/year ended 31 December 1997 and 1998 because there was no dividend income and management fees received. In September 1999, the company commenced its rental activity and therefore received four months rental income from its subsidiary for the occupancy of rented space for educational purposes in the Summit, USJ, Subang Jaya.
- (b) There was no provision for taxation for the periods/years under review as the company has no chargeable income as it is in a loss making position.
- (c) There were no extraordinary or exceptional items during the years/periods under review.

4.1.2 ORSB - The Group

	<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>1999</i> <i>RM'000</i>	<i>Unaudited</i> <i>7 months</i> <i>ended</i> <i>31 July</i> <i>2000</i> <i>RM'000</i>
Turnover	7,117	8,103
	=====	=====
Profit before depreciation and interest expense	1,176	2,648
Depreciation	(515)	(419)
Interest expense	(180)	(287)
	-----	-----
Profit before taxation	481	1,942
Less: Taxation	-	(570)
	-----	-----
Profit after taxation	481	1,372
Minority interest	84	37
	-----	-----
Profit after taxation and minority interest	565	1,409
	=====	=====
Number of ordinary shares of RM 1.00 each in issue ('000)	1,515	1,515
Net earnings per share (RM)	0.37	1.59*

* Annualised



Notes:-

- (a) The summarised results are based on the audited consolidated financial results for the financial year ended 31 December 1999 and unaudited consolidated financial results for the seven (7) months ended 31 July 2000, with inclusion of SESB's financial results. No consolidated accounts were prepared for the financial years ended 31 December 1994 to 31 December 1998 as the Group was not in existence at that time.
- (b) There was no tax charge for chargeable income in 1999 as the amount payable for that year was waived in accordance with the Income Tax (Amendment) Act, 1999.
- (c) There were no extraordinary or exceptional items during the year/period under review.

4.1.2.1 ORSB – The Company

	←-----Audited----->						Unaudited
	Year ended						7 months ended
	31 December						31 July
	1994	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	3,650	4,868	6,311	7,598	7,193	7,004	7,969
Profit before depreciation and interest expense	239	941	1,083	1,407	1,211	1,353	2,716
Depreciation	(207)	(221)	(265)	(379)	(446)	(489)	(400)
Interest expense	(39)	(29)	(15)	(31)	(43)	(172)	(281)
Profit/(loss) before taxation	(7)	691	803	997	722	692	2,035
Less : Taxation	-	-	-	-	(230)	-	(570)
Profit/(loss) after taxation	(7)	691	803	997	492	692	1,465
Number of ordinary shares of RM 1.00 each in issue ('000)	955	955	955	1,515	1,515	1,515	1,515
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 560,000 ordinary shares of RM1.00 each in April 1997 ('000)	955	955	955	1,328	1,515	1,515	1,515
Net (loss)/earnings per share (RM)#	(0.01)	0.72	0.84	0.75	0.32	0.46	1.66*

* Annualised

Net (loss)/earnings per share has been calculated based on (loss)/profit after taxation on the weighted average number of ordinary shares

Notes :

- (a) The principal activity of ORSB is to provide educational & training services. Turnover consists of tuition fee on the courses offered. The increase in turnover over the years was due to the increase in the number of student intakes for its educational programmes.

The decrease in turnover in 1998 was mainly due to the economic downturn. The effect of the decrease in student intake for the A-Level programme was set off by the increase in student intake for the Universiti Putra Malaysia (UPM) course (new course introduced in 1998).

In 2000, the increase in turnover for ORSB was mainly due to increase in student intake, especially with the introduction of short courses in management, finance and E-commerce, coupled with a larger campus and better educational facilities available after the relocation. In addition, the increase in profit before taxation was mainly due to the introduction of short courses with higher profit margin.

- (b) There was no provision for taxation for the years ended 31 December 1994 to 1997 due to utilisation of unabsorbed tax losses and unabsorbed capital allowances brought forward.

However, in 1998, the effective tax rate was higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

There was no tax charge for chargeable income in 1999 as the amount payable for that year was waived in accordance with the Income Tax (Amendment) Act, 1999.

- (c) There were no extraordinary or exceptional items during the years/period under review.

4.1.3 SESB - The Company

	<-----Audited----->		<i>Unaudited</i>
	<i>Date of incorporation, 1 June 1998 to 31 December 1998 RM'000</i>	<i>Year ended 31 December 1999 RM'000</i>	<i>7 months ended 31 July 2000 RM'000</i>
Turnover	-	113	134
	=====	=====	=====
Loss before depreciation and interest expense	-	(178)	(68)
Depreciation	-	(26)	(19)
Interest expense	-	(8)	(6)
	-----	-----	-----
Loss before and after taxation	-	(212)	(93)
	=====	=====	=====
Number. of ordinary shares of RM 1.00 each in issue ('000)	*	100	100
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 99,998 ordinary shares of RM1.00 each in June 1999 ('000)	*	58.33	100
Net loss per share (RM)#	-	(3.63)	(1.59)**

* Represents 2 ordinary shares of RM1.00 each

**Annualised

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares

Note:-

- (a) The principal activity of the Company is to provide educational and training services. The company commenced business in March 1999. It operates the Prime College Alor Setar campus.

The increase in turnover for the 7 months financial period ended 31 July 2000 as compared to 1999 was mainly due to more student intake for its educational programmes.

- (b) There was no provision for taxation for the periods/year under review as the company has no chargeable income as it is in a loss making position.
- (c) There were no extraordinary or exceptional items during the periods/year under review.



4.1.4 PFSB – The Company

	<-----Audited----->				<i>Unaudited</i> 7 months ended 31 July 2000 RM'000
	<i>Date of incorporation, 27 April 1996 to 31 December</i>	<i>Year Ended 31 December</i>			
	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Turnover	-	155	216	198	-
Profit/(loss) before depreciation and interest expense	-	75	200	182	(1)
Depreciation	-	(29)	(29)	(29)	(17)
Interest expense	-	(161)	(195)	(130)	(70)
(Loss)/profit before and after taxation	-	(115)	(24)	23	(88)
Number of ordinary shares of RM 1.00 each in issue ('000)	*	740	740	740	740
Net (loss)/earnings per share (RM)	-	(0.16)	(0.03)	0.03	(0.20)**

* Represents share capital of 100 ordinary shares of RM1.00 each.

** Annualised

Notes :

- (a) The principal activity of the company is that of property investment. PFSB commenced operations during the year ended 31 December 1997.

Turnover represents rental received and receivable during the year. Increase in the turnover was due to full year rental recognised in 1998, compared to 8 months in 1997.

In November 1999, the tenancy agreement for the existing renting source has expired and no subsequent renewal of tenancy was made. As such, no rental income was received in year 2000.

- (b) There was no provision for taxation for the periods/years under review due to utilisation of unabsorbed losses and unutilised capital allowances brought forward.

There was no tax charge for chargeable income in 1999 as the chargeable income for the year was waived in accordance with the Income Tax (Amendment) Act, 1999.

- (c) There were no extraordinary or exceptional items during the periods/ years under review.

4.1.5 Palm Leisure Sdn Bhd (“PLSB”)

PLSB is principally engaged in the business of property development.

The audited accumulated loss carried forward of PLSB as at 31 August 1999 amount to RM174,401.

PLSB owns converted development land identified as Lot Nos 501, 502 and 503, Mukim of Ulu Kelang, District of Gombak, located at Taman Melawati, Ulu Kelang.

4.2 SES Group - Summary of results

	←-----Audited-----→					Unaudited		
	Year ended					7 months	Year	6 months
	←-----31 December-----→					ended	ended	ended
	1993	1994	1995	1996	1997	31 July	31 July	31 January
	RM'000	RM'000	RM'000	RM'000	RM'000	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	4,207	2,573	2,295	1,549	706	382	550	681
Loss before depreciation, interest expense and interest income	(2,819)	(551)	(153)	(344)	(764)	(222)	(540)	(89)
Depreciation	(186)	(200)	(178)	(167)	(140)	(71)	(101)	(143)
Interest expense	(19)	(18)	(13)	(19)	(17)	(10)	(12)	(5)
Interest income	33	26	29	8	-	-	-	-
Loss before taxation	(2,991)	(743)	(315)	(522)	(921)	(303)	(653)	(237)
Less: Taxation	(2)	-	-	(11)	-	-	-	16
Loss after taxation	(2,993)	(743)	(315)	(533)	(921)	(303)	(653)	(221)
Minority interest	224	-	50	-	-	-	-	-
Extraordinary item	311	-	-	-	-	-	-	-
	(2,458)	(743)	(265)	(533)	(921)	(303)	(653)	(221)
Number of ordinary shares of RM 1.00 each in issue ('000)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	14,000
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 600,000 ordinary shares in December 1999 and 9,400,000 ordinary shares in January 2000 ('000)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,883.33
Net loss per share (RM)#	(0.61)	(0.19)	(0.07)	(0.13)	(0.23)	(0.13)*	(0.16)	(0.09)*

* Annualised

Net loss per share has been calculated based on loss after taxation, minority interest and extraordinary item on the weighted average number of ordinary shares

Notes :

- (a) The principal activities of the company are investment holding and provision of management consultancy services. The principal activity of its subsidiary companies is to carry on the business of operating an institute providing educational programmes. The turnover of the group comprises management fees, tuition and registration fees received.

Turnover in 1993 was attributable to consulting business and revenue from twinning programme contracted with Monash University, Australia. The consulting business slowed down in 1994. The turnover in 1994 to 1996 were attributable to the inception of the Summit International College and the introduction of foundation and twinning programme with Charles Sturt University, Australia which were subsequently terminated in mid 1999.

The Montessori Teaching Training Diploma in Early Childhood Education (“Montessori Programme”) which commenced in May 1999 contributed the further increase in turnover for the year ended 31 July 1999.

The turnover increased for the six months period ended 31 January 2000 mainly due to larger education capacity and facilities available after SIC moved to its new premises in The Summit, Subang USJ. Courses were conducted in 2000 to cater for the increase in student intake. The increase in turnover was also attributed to the synergies with the SME Group whereby more students were attracted to enrol for the courses introduced

Loss incurred in 1993 was mainly due to high operational and promotional consulting business especially in organising international business and management seminars, conventions and workshops.

The high losses incurred from 1994 to 1997 were mainly due to substantial advertising costs provided to promote educational programmes as well as rental costs incurred for their rented campus in Jalan Pahang, Kuala Lumpur.

The loss before tax in 1998 was lower as compared to previous years mainly due to lower advertising costs incurred. However, the loss before tax in 1999 increased as a result of the termination of twinning programmes.

In tandem with the growth in turnover in 2000, the loss incurred has reduced accordingly.

- (b) There were no provision for taxation during the years/periods under review except for year 1993 and 1996 due to utilisation of unabsorbed losses and unutilised capital allowances brought forward.

Taxation charge in 1993 and 1996 was attributable to under provision of taxation in prior years.

In 2000, there was a refund of tax overpaid of RM16,000.

- (c) There were no other extraordinary or exceptional items during the years/periods under review, other than in year 1993 where there was gain on disposal of a subsidiary acquired during the year.



4.2.1 SES – The Company

	<-----Audited----->					Unaudited		
	Year ended					7 months	Year	6 months
	<----- 31 December ----->					ended	ended	ended
	1993	1994	1995	1996	1997	31 July	31 July	31 January
	RM'000	RM'000	RM'000	RM'000	RM'000	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	2,650	608	218	75	31	16	24	57
Loss before depreciation, interest expense and interest income	(2,148)	(407)	(79)	(846)*	(111)	(46)	(70)	(69)
Depreciation	(94)	(92)	(50)	(41)	(36)	(20)	(25)	(21)
Interest expense	(13)	(12)	(10)	(6)	(6)	(3)	(6)	(6)
Interest income	59	40	38	28	27	19	39	-
Loss before taxation	(2,196)	(471)	(101)	(865)	(126)	(50)	(62)	(96)
Less: Taxation	(2)	-	-	(11)	-	-	-	16
Loss after taxation	(2,198)	(471)	(101)	(876)	(126)	(50)	(62)	(80)
Extraordinary item	311	-	-	(575)	-	-	-	-
Loss after taxation and extraordinary item	(1,887)	(471)	(101)	(1,451)	(126)	(50)	(62)	(80)
Number of ordinary shares of RM 1.00 each in issue ('000)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	14,000
Weighted average number of ordinary shares of RM 1.00 each in issue including issue of 600,000 ordinary shares in December 1999 and 9,400,000 ordinary shares in January 2000('000)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,883.33
Net loss per share (RM)#	(0.47)	(0.12)	(0.03)	(0.36)	(0.03)	(0.02)**	(0.02)	(0.03)**

* Includes provision for doubtful debts for amount due from subsidiary companies amounting to RM732,000

** Annualised

Net loss per share has been calculated based on loss after taxation and extraordinary item on the weighted average number of ordinary shares

Notes :

- (a) The current principal activities of the company are investment holding and provision of management consultancy services.

In 1993, the turnover was attributable to revenue from business and management consultancy services and the organisation of international business and management seminars, conventions and workshops. In 1994 and 1995, turnover was derived only from the consulting business. The consulting business slowed down in 1994 and subsequently ceased in 1996. The turnover of the company in the subsequent years comprises management fees.

- (b) There was no provision for taxation during the periods/years under review except for year 1993 and 1996 due to utilisation of unabsorbed losses and unutilised capital allowances brought forward.

Taxation charge for the years ended 1993 and 1996 was attributable to under provision of tax in prior years.

In 2000, there was a refund of tax overpaid of RM16,000.

- (c) The extraordinary item for the year ended 31 December 1993 was in respect of a gain on disposal of a subsidiary while the extraordinary item for the year ended 31 December 1996 was attributable to the provision for diminution in the value of investments in subsidiary companies. There were no other extraordinary or exceptional items during the years/periods under review other than disclosed.
- (d) The company changed its financial year end from 31 December to 31 July in the 7 months financial period ended 31 July 1998 to be coterminous with the financial year of the ultimate holding company.



4.2.2 PMSB – The Company

	<-----Audited----->					Unaudited
	Year ended			7 months	Year ended	6 months
	31 December	31 December	31 December	ended	31 July	ended
	1995	1996	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Turnover	78	198	258	285	487	681
(Loss)/profit before depreciation and interest expense	(446)	(316)	(193)	-	(189)	7
Depreciation	(5)	(14)	(14)	(6)	(22)	(22)
Interest expense	-	(4)	(3)	(3)	(2)	(2)
Loss before and after taxation	(451)	(334)	(210)	(9)	(213)	(17)
Number of ordinary shares of RM 1.00 each in issue ('000)	100	100	100	100	200	200
Weighted average number of ordinary shares of RM1.00 each in issue including issue of 100,000 ordinary shares of RM1.00 each in March 1999 ('000)	100	100	100	100	141.66	200
Net loss per share (RM)#	(4.51)	(3.34)	(2.10)	(0.15)*	(1.50)	(0.17)*

* Annualised

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares

Note :-

- (a) The principal activity of the company is to carry on the business of operating an institute providing educational programmes. The increase in turnover over the periods/years was attributable to the inception of the Summit International College and the introduction of foundation and twinning programme contracted with Charles Sturt University, Australia which was subsequently terminated in mid 1999.

The Montessori Teaching Training Diploma in Early Childhood Education (“Montessori Programme”) which commenced in May 1999 contributed the further increase in turnover for the year ended 31 July 1999.

The turnover increased for the six months period ended 31 January 2000 mainly due to larger education capacity and facilities available after SIC moved to its new premises in The Summit, Subang USJ. Courses were conducted in 2000 to cater for the increase in student intake. The increase in turnover was also attributed to the synergies with the SME Group whereby more students were attracted to enrol for the courses introduced

- (b) There was no provision for taxation for the periods/years under review due to utilisation of unabsorbed losses and unutilised capital allowances brought forward.
- (c) There were no extraordinary or exceptional items during the years/periods under review.
- (d) The company changed its financial year end from 31 December to 31 July in the 7 month financial period ended 31 July 1998 to be coterminous with the financial year of the ultimate holding company.
- (e) The company had not commenced operations for the period ended 31 December 1994. Therefore, no profit and loss accounts was prepared.



4.2.3 SMESB – The Company

	←-----Audited----->					Unaudited		
	Year ended 31 December					7 months ended 31 July	Year ended 31 July	6 months ended 31 January
	1993 RM'000	1994 RM'000	1995 RM'000	1996 RM'000	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000
Turnover	1,556	2,025	2,097	1,372	448	97	61	-
Profit/(loss) before depreciation and interest	(668)	(143)	373	(37)	(380)	(131)	(226)	(72)
Depreciation	(92)	(107)	(123)	(112)	(90)	(45)	(53)	(23)
Interest expense	(33)	(21)	(12)	(29)	(35)	(23)	(43)	-
Profit/(loss) before and after taxation	(793)	(271)	238	(178)	(505)	(199)	(322)	(95)
Number of ordinary shares of RM 1.00 each in issue ('000)	750	750	750	750	750	750	750	750
Weighted average number of ordinary shares of RM1.00 each in issue including issue of 500,000 ordinary shares of RM1.00 each in November 1993 ('000)	333.33	750	750	750	750	750	750	750
Net earnings/(loss) per share (RM)#	(2.38)	(0.36)	0.32	(0.23)	(0.67)	(0.45)*	(0.43)	(0.25)*

*Annualised

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares



Notes :-

- (a) The principal activity of the company is to carry on the business of operating an institute providing educational programmes. Turnover comprises tuition fees and registration fees earned.

From 1993 to 1996, turnover was attributable to revenue from twinning programme contracted with Monash University, Australia.

The reduction in turnover after 1996 was due to gradual reduction in student intake and the eventual termination of the twinning programme in 1999.

- (b) There was no provision for taxation for the periods/years under review due to utilisation of unabsorbed losses and unutilised capital allowances brought forward.
- (c) There were no extraordinary or exceptional items during the years/period under review.
- (d) The company changed its financial year end from 31 December to 31 July in the 7 month financial period ended 31 July 1998 to be coterminous with the financial year of the ultimate holding company.



4.2.4 BMSB – The Company

BMSB was incorporated on 4 August 1999 and commenced business in property investment in October 1999.

4.3 RMSB Group - Summary of results

4.3.1 RMSB – The Group and Company

RMSB was incorporated on 15 October 1999. The first set of consolidated accounts has yet to be audited.

4.3.2 Sadec-KE – The Company

Based on the audited accounts, no profit and loss account have been prepared as the company has not commenced operations since its incorporation on 18 November 1992. Sadec-KE only commenced operations in November 1999.

4.4 SME Group - Summary of results

	<-----Proforma----->			<i>Unaudited 6 months ended 31 January 2000 RM'000</i>
	<i>From 13 February 1996 to 30 June 1997 RM'000</i>	<i>Year ended 30 June 1998 RM'000</i>	<i>13 months ended 31 July 1999 RM'000</i>	
Turnover	251	225	389	201
Loss before depreciation and interest expense	(317)	(327)	(129)	(2)
Depreciation	(77)	(75)	(100)	(40)
Interest expense	(2)	(15)	(19)	(4)
Loss before and after taxation	(396)	(417)	(248)	(46)
Number of ordinary shares of RM 1.00 each in issue ('000)	**	650	1,350	1,350
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including issue of 650,000 ordinary shares in June 1998 and 700,000 ordinary shares in June 1999	*	54.17	708.33	1,350
Net loss per share (RM)#	(198,000.00)	(7.70)	(0.32)*	(0.07)*

* Annualised

**Represents 2 ordinary shares of RM1 each

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares

Notes:

- (a) The summarised results of SME Group for the financial years/period ended 30 June 1997 and 30 June 1998, and 31 July 1999 have been prepared based on the proforma audited accounts of SME Group on the assumption that the Group was in existence since the date of incorporation of SME on 13 February 1996.

No consolidated accounts were prepared at SME level for the 13 months ended 31 July 1999. However, consolidation was prepared at the ultimate holding company level, KEB.

The accounting year end of the SME Group is made up to the year ended 30 June. The results of the subsidiary, MFSB whose financial year end is 30 April from its date of incorporation to year 1998 have therefore been consolidated based on the audited accounts as at 30 April 1997 and 1998, after making such adjustments considered necessary to be coterminous with the financial year end of the Group.

The results of MFSB have been adjusted based on time apportionment for 1997 and 1998.

- (b) The turnover for SME Group for the financial years/periods under review were mainly contributed from the sales of books and operation of a convenience store as well as the provision of child-care services. Turnover decreased in 1998 because of the closure of the convenience store in Melaka. In 1999, the increase in turnover was attributable to the opening of a new store in Kuala Lumpur and improved business from its nursery centers. In 2000, the turnover has further improved as compared to the previous year due to increase in the children enrollment for its existing nursery and child-care centers.

The loss in year 1999 was mainly due to start up cost incurred for opening a new store in Kuala Lumpur. However, in tandem with better performance of the nursery and child care operations, the loss position in year 2000 has reduced accordingly.

- (c) There was no provision for taxation during the years/periods under review except for the year 2000 as the Group has no chargeable income as it is in a loss making position. No provision for taxation was made in the accounts for the 6 months ended 31 January 2000 due to utilisation of unabsorbed tax losses and unabsorbed capital allowances brought forward.
- (d) There were no extraordinary or exceptional items during the years/periods under review.
- (e) The company changed its financial year end from 30 June to 31 July in the 13 months financial period ended 31 July 1999 to be coterminous with the financial year end of the holding company.



4.4.1 SME – The Company

	<-----Audited----->			
	<i>From 13 February 1996 to 30 June 1997 RM'000</i>	<i>Year ended 30 June 1998 RM'000</i>	<i>1---3 months ended 31 July 1999 RM'000</i>	<i>Unaudited 6 months ended 31 January 2000 RM'000</i>
Turnover	-	-	5	102
(Loss)/profit before depreciation and interest expense	-	(1)	(27)	56
Depreciation	-	-	-	(6)
Interest expense	-	-	-	-
Interest income	-	-	-	-
(Loss)/profit before and after taxation	-	(1)	(27)	50
No. of ordinary shares of RM 1.00 each in issue ('000)	*	650	1,350	1,350
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including issue of 650,000 ordinary shares in June 1998 and 700,000 ordinary shares in June 1999	*	54.17	708.33	1,350
Net (loss)/earnings per share (RM)#	-	(0.02)	(0.04)**	0.07**

* Represents 2 ordinary shares of RM1.00 each

**Annualised

Net (loss)/earnings per share has been calculated based on (loss)/earnings after taxation on the weighted average number of ordinary shares



Notes :-

- (a) The principal activity of the company is that of providing nursery and child care services. The company commenced business operations in July 1999. The increase in turnover for the 6 months period in 2000 was mainly due to increase in children enrollment for its existing nursery and child care centers.
- (b) There was no provision for taxation during the years/periods under review as the company has no chargeable income as it is in a loss making position. No provision for taxation was made in the accounts for the 6 months ended 31 January 2000 due to utilisation of unabsorbed tax losses and unabsorbed capital allowances brought forward.
- (c) There were no extraordinary or exceptional items during the years/periods under review.
- (d) The company changed its financial year end from 30 June to 31 July in the 13 month financial period ended 31 July 1999 to be coterminous with the financial year of the ultimate holding company.
- (e) In 1997, the company had not commenced operations, therefore no profit and loss accounts was prepared.



4.4.2 MFSB – The Company

	<-----Audited----->			
	<-----Year Ended----->		15 months ended	Unaudited 6 months ended
	30 April	31 July	31 July	31 January
	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000
Turnover	259	208	384	98
Loss before depreciation and interest expense	(275)	(344)	(66)	(43)
Depreciation	(77)	(74)	(100)	(34)
Interest expense	-	(14)	(19)	(4)
Loss before and after taxation	(352)	(432)	(185)	(81)
Number of ordinary shares of RM 1.00 each in issue ('000)	655	805	805	805
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including issue of 150,000 ordinary shares of RM1.00 each in February 1998	655	692.50	805	805
Net loss per share (RM)#	(0.54)	(0.62)	(0.18)*	(0.20)*

* Annualised

Net loss per share has been calculated based on loss after taxation on the weighted average number of ordinary shares

Note :-

- (a) The principal activity of the company is that of providing child care services, sales of books and operation of a convenience store.

Turnover represents income in respect of services rendered and sales at invoiced value less returns and discounts.

Turnover decreased in 1998 because of the closure of the convenience store in Melaka. The increase in 1999 was attributable to the opening of a new store in Kuala Lumpur and improved business from its nursery centre.

The turnover for the 6 months results in 2000 has declined slightly as the operation of the nursery center was transferred to the holding company in early January 2000, in line with the Group's streamlining process.

- (b) There was no provision for taxation for the years/period under review as the company has no chargeable income as it is in a loss making position.
- (c) There were no extraordinary or exceptional items during the years/period under review.
- (d) The company changed its financial year end from 30 April to 31 July in the 15 month financial period ended 31 July 1999 to be coterminous with the financial year of the ultimate holding company.

5 Summarised Balance Sheets

5.1 BBC Group

The summarised balance sheets as at 31 December 1997 to 31 December 1999 are based on BBC and its subsidiaries' audited consolidated accounts and unaudited accounts as at 31 July 2000. No consolidated accounts were prepared for the financial years ended 31 December 1994 to 31 December 1996 as there was no Group in existence at that time.

	<i>Audited</i>			<i>Unaudited</i>
	<i>As at</i>			<i>As at</i>
	< ----- 31 December----- >			31 July
	1997	1998	1999	2000
	RM'000	RM'000	RM'000	RM'000
Fixed assets	3,661	23,223	31,377	34,824
Associated company**	5,588	5,011	5,076	5,065
Goodwill on consolidation	4,752	4,555	3,110	3,028
Current assets	1,499	391	2,560	3,309
Less : Current liabilities	(9,468)	(7,400)	(6,467)	(9,067)
Net current liabilities	(7,969)	(7,009)	(3,907)	(5,758)
	-----	-----	-----	-----
	6,033	25,780	35,656	37,159
	=====	=====	=====	=====
Financed by :-				
Share capital	5,000	5,000	11,773	11,773
Share premium	24	24	18,988	18,988
Share application funds***	-	19,542	-	-
Profit and loss account	(425)	(180)	(66)	716
Shareholders' funds	4,599	24,386	30,695	31,477
Long term liabilities	1,434	1,394	4,804	5,139
Minority interest	-	-	157	543
	-----	-----	-----	-----
	6,033	25,780	35,656	37,159
	=====	=====	=====	=====
Net tangible (liabilities)/assets per ordinary share (RM)	(0.03)	3.97	2.34	2.42