

- (b) Represents a discount of RM0.58 or 27.88% to the theoretical adjusted price after the Proposed Bonus Issue of RM2.08 based on the 5-day weighted average market price of SEG Shares up to 6 November 2000 (being the latest practicable date prior to the despatch of this Independent Advice Circular) of RM2.91.

Notwithstanding, the basis for the determination of the proposed issue price of RM1.50 per SEG New Share as set out in paragraph (a)(i) above, is in line with the existing guidelines of the SC as follows:-

- (i) SC's press release dated 30 December 1999 entitled: "SC Amends Issues Guidelines to Support Second Phase of DBR" for the pricing of consideration shares issued by public listed companies for acquisitions stipulate that: *"The price of shares issued by a listed company as consideration for an acquisition should be based on the 5-day weighted average market price set 1 day before the announcement of the acquisition."*
- (ii) Chapter 17 of the Policies and Guidelines on Issue/Offer of Securites issued by the SC states that *"for related-party transactions, where appropriate, a premium should be added to the value of new securities to be issued."*

### 5.3.6 Financial Effects

The financial effects of the Proposals, as extracted from the EGM Circular, are summarised as follows:-

(a) **Share Capital**

*The effect of the Proposals on the issued and paid-up share capital of SEG is as follows:-*

	<b>No. of shares</b>
Existing	19,000,000
To be issued pursuant to:	
Proposed Bonus Issue	7,600,000
Proposed Acquisition of BBC	30,000,000
Proposed Acquisition of SES	9,194,422
Proposed Acquisition of SME	4,333,333
Proposed Acquisition of RMSB	333,333
Proposed Acquisition of Office Buildings	8,666,667
Enlarged issued and paid-up share capital	<u><u>79,127,755</u></u>

(b) **NTA**

The proforma effects of the Proposals on the NTA of the SEG Group based on its audited accounts as at 31 December 1999 are illustrated as follows:

		(a)	(b)	After (b)
	Audited as at	After	After (a) and	And
	31.12.99	Proposed	Proposed	Proposed
	RM'000	Bonus Issue	Acquisition	Acquisition of
		RM'000	Of Companies	Office Buildings
			RM'000	RM'000
NTA	33,257	33,257	69,224	81,024
NTA per share (RM)	1.75	1.25	0.98	1.02

It may be seen from the above that the proforma NTA per share improves from RM0.98 after the Proposed Bonus Issue and Proposed Acquisition of Companies, to RM1.02 after the Proposed Acquisition of Office Buildings.

(c) **Earnings**

The effects of the Proposals, which are expected to be completed by 30 November 2000, on the estimated profit after tax, exceptional items and minority interests ("PAT after EI and MI") of the SEG Group for the financial year ending 31 December 2000 is expected to be as follows:-

Financial year ending 31 December 2000	Before Proposals	After Proposals
Consolidated Profit After Taxation, EI and MI (RM'000)	4,943	5,302
No. of ordinary shares ('000)	^26,600	*30,977
Net EPS (sen)	18.58	17.12

\* Based on the weighted average number of shares in issue

^ Based on a fully diluted basis after taking into consideration the Proposed Bonus Issue.

The effects of the Proposed Acquisition of Office Buildings on the earnings of the SEG Group is presented collectively with that of the other Proposals in the EGM Circular. Based on such information available to us, we note that the net EPS of the SEG Group is estimated to decrease from 18.58 sen on the "before Proposals" scenario to 17.12 sen on the "after Proposals" scenario for financial year ending 31 December 2000.

We are not able to express any view on the future earnings contribution of, particularly, the Proposed Acquisitions, on the earnings of the SEG Group in the absence of any forecast or projected earnings for future financial years. However, we note from the EGM Circular that *"the Board of Directors of SEG also expects that, barring any unforeseen circumstances, the EPS of SEG under the After Proposals (scenario) would be better than the Before Proposals (scenario) commencing from the financial year ending 31 December 2001."*

(d) **Substantial Shareholdings**

The proforma effects of the Proposals on the substantial shareholders' shareholdings of SEG as at 29 September 2000 are as follows:

Existing shareholders/ vendors of Office Buildings	As at 29 September 2000		(a) After Proposed Bonus Issue		After (a) and Proposed Acquisitions	
	No. of shares	% held	No. of shares	% held	No. of shares	% held
MOCCIS <sup>1</sup>	6,080,000	32.00	8,512,000	32.00	13,118,053	16.58
Yeoh Ah Tu <sup>5a</sup>	1,744,000	9.18	2,441,600	9.18	2,441,600	3.09
William A/L C.D. Gnana Arul	760,000	4.00	1,064,000	4.00	1,064,000	1.34
Tan Hong Aik	721,000	3.79	1,009,400	3.79	1,009,400	1.28
Perdana Technology Venture Sdn Bhd <sup>2</sup>	1,018,000	5.36	1,425,200	5.36	1,425,200	1.80
Pujian Wajar Sdn Bhd	930,000	4.89	1,302,000	4.89	1,302,000	1.65
Tan Foo Tin <sup>5b</sup>	450,440	2.37	630,616	2.37	630,616	0.80
Others/public	7,296,560	38.41	10,215,184	38.41	10,215,184	12.90
<b>Other vendors</b>						
Ladang MOCCIS	-	-	-	-	4,060,614	5.13
KEB	-	-	-	-	24,881,025	31.44
Datin Mah <sup>3</sup>	-	-	-	-	10,423,514	13.17
Dato' Megat	-	-	-	-	5,456,800	6.90
Other vendors	-	-	-	-	3,099,750	3.92
<b>TOTAL</b>	<b>19,000,000</b>	<b>100.00</b>	<b>26,600,000</b>	<b>100.00</b>	<b>79,127,755</b>	<b>100.00</b>

1 Pledged securities held under Aseam Malaysia Nominees (Tempatan) Sdn Bhd

2 594,000 SEG Shares are held in the registered name of JS Nominees (Tempatan) Sdn Bhd, 399,000 SEG Shares are held in the registered name of BBMB Securities Nominees (Tempatan) Sdn Bhd and 25,000 SEG Shares are owned directly.

3 Shareholding together with her daughter, Kee Shih-Lene

4 The minimum 25% public spread requirement shall be met after one or more of the vendors of the Acquiree Companies place out sufficient number of shares to public investors. The size of the placement if necessary, will be determined closer to the date of placement

5 Save as disclosed below, there are no substantial shareholders with indirect shareholding in SEG:

a. Deemed interested through his spouse, Tan Foo Tin's shareholdings in SEG

b. Deemed interested through her spouse, Yeoh Ah Tu's shareholdings in SEG

### 5.3.7 Broad industry outlook together with SEG's market segment and future outlook

#### (a) Education industry

In addition to the review made in Section 9.1 of the EGM Circular on the education sector and its future prospects, we note the following assessment of the progress and direction of the education sector in Malaysia from the *Mid-Term Review of the Seventh Malaysia Plan 1996-2000* (issued by the Economic Planning Unit, Prime Minister's Department, Malaysia on 22 April 1999), which appear relevant for the foreseeable future:-

*The number of children enrolled in pre-school centres increased from 253,675 in 1995 to 281,397 in 1998. The capacity of local tertiary education institutions was expanded to meet the increases in demand as well as to promote education as an export industry. During the review period, the student enrolment at the first degree level in public institutions increased from 79,014 in 1995 to 136,689 in 1998.*

*In the remaining Plan period, education and training programmes will continue to be given priority. Additional facilities will be provided while existing facilities will be upgraded to meet the demand for places at all levels as well as to provide quality education. Efforts to expand the capacity of public and private institutions are also in line with the objective of reducing substantially the number of students studying overseas as well as expanding tertiary education in Malaysia.*

*Facilities for pre-school education will be expanded to cover at least 65 per cent of children in the 5-6 year age group by the year 2000, as targeted in the Plan. The quality of pre-school education will also be further enhanced with the implementation of the guidelines on pre-school curriculum issued by the Ministry of Education and the increase in the number of trained teachers from 12,140 in 1998 to 15,340 in the Plan period.*

*The development of tertiary education will be intensified to meet the growing local demand as well as to develop higher education as an export industry. It is expected that by the year 2000, the demand for places at the local institutions of higher learning will increase as a result of the higher cost of education abroad and the increase in the number of qualified candidates. To meet this demand, universities and polytechnics will continue to embark on expansion programmes, including provision of student accommodation.*

*Alongside improvements in the delivery system, investments will be made in expanding the capacities of the education and training institutions to meet the demand for more educational and training opportunities in the country. In this regard, greater private sector participation in education and skill training will be encouraged."*

In addition, the following was also noted in *The Star* newspaper dated 18 March 2000:-

*"It is "logical development" for private institutions of higher learning to merge in the future, Datuk Seri Abdullah Ahmad Badawi said yesterday. The Deputy Prime Minister said this was so because investment in education was not cheap, especially if excellent facilities were required. Maybe there will be a logical development of mergers in the future so that they can synergise whatever resources and available talent they have in order to expand resources. Currently, there are 591 private colleges and institutions and eight private universities in the country with a combined student population of 210,000. In 1986, there were less than 50 private institutions.*

*Abdullah said in Malaysia's quest to become a regional centre of educational excellence, the Government was committed to attracting more foreign partners to work together with public and private institutions of higher learning. He believed that if Malaysia proved it had a good educational infrastructure with very competent academics and excellent students, it would be easier to attract the attention of potential foreign partners in education."*

(b) **Property industry**

In addition to the review made in Section 9.2 of the EGM Circular on the property sector and its future prospects, we note the following excerpts from the *Property Market Report January - June 2000* issued by the Valuation and Property Services Department, Ministry of Finance in 2000:-

*"Against the backdrop of a commendable performance last year, the performance of the property market in the first half of this year fell rather short of the expectations. Instead of continuing with the improvement in activity, the market went into consolidation where transaction volume and value made the gentle movements downward amidst an economy that has firmed up further since the crisis period.*

*In the period since the start of the new millennium, the economic indicators for the country consistently point to some strong performance. The economic report by Bank Negara Malaysia puts GDP growth at 8.8% for the second quarter of 2000 as against 11.9% for the first quarter.*

*Nonetheless, some changes in the market sentiments were detected within the property market industry. Developers and investors were still guarded in their attitude towards property development, but they were more positive now compared to before. To an extent, this showed in their commitment towards the revival of previously abandoned projects.*

*The transaction volume for Selangor registered a 16.2% fall against July - December 1999 figure but a 6% rise against January - June 1999. Total value of transactions moved accordingly, with an 11.8% decrease against the preceding six-month period and a 14.2% increase against the corresponding period 1999.*

*The commercial sector deteriorated by 14.9% in transaction volume against the second half of 1999 but was on a higher plane, by 19.7% compared to the corresponding period in 1999. The most popular price range was RM250,000 - RM500,000 which accounted for 34.8% of the total transactions. Prices and rentals were stable or increased."*

(c) **SEG's market segment and future outlook**

We note from the 1999 Annual Report of SEG the following:-

(i) Presently the SEG Group is mainly involved in the following education segments:-

	<b>% contribution to SEG's turnover for the financial year ended 31 December 1999</b>
Degree courses	26
Business administration, company secretarial and marketing courses	21
Technician level accountancy programmes	21
Accountancy professional courses	14
Computer and information technology courses	12

- (ii) The future outlook of SEG as noted from the Chairman's review dated 22 March 2000 in the 1999 Annual Report of SEG: *"The year ahead is expected to be more encouraging now that there are more positive indications of economic recovery. Competition will however remain intense, especially in view of the proliferation of even more private colleges and in particular those IPTS with "3 + 0" approved programmes, besides the expanded enrolment capacity of public universities. The anticipated reduction of post SPM students as more are given places in government sponsored secondary schools to complete their STPM is also viewed as a factor which would negate the student numbers available for private colleges.*

*As such, the Group is cautiously optimistic for the year 2000, expecting the degree-linked programmes to further strengthen its position as the main income-contributing sector. The introduction of new products, especially the Diploma in Computer Systems: Operation & Management (CSOM) and the Bachelor (Honours) of Technology in Applied Computer Science (BTACS) in collaboration with the University College of the Cariboo, Canada to be conducted by our Systematic Institute of Information Technology (SIIT) and new Masters programmes by the PJ and KL centres will hopefully strengthen Systematic's positioning in the education industry while boosting the profitability of the Group. Greater involvement in direct marketing activities will also be carried out to recruit more international students to pursue any one of the many courses that we have on offer. I believe that with the various plans we have on hand the Group can rise to the occasion in facing the challenges ahead."*

#### **5.4 Evaluation of the Proposed Waiver**

##### **5.4.1 Areas of consideration**

MIMB has considered the following areas in our evaluation of the Proposed Waiver:-

- (a) Provisions of the Code.
- (b) Rationale (including financial evaluation).

##### **5.4.2 Provisions of the Code**

- (a) **Part II of the Code - Triggering and pricing provisions**

The Proposed Acquisition of Companies would result in a reverse-take over of SEG by the Principal Vendors of Acquiree Companies who would emerge as the Company's new controlling shareholders. Following the Proposed Acquisition of Companies, the Principal Vendors, namely, KEB, Datin Mah and Kee Shih-Lene, will collectively hold 35,304,539 SEG New Shares representing 44.62% equity interest in SEG upon completion of the Proposals. Pursuant to Part II of the Code, KEB, Datin Mah and Kee Shih-Lene would be obliged to extend a Mandatory Offer to acquire the remaining SEG Shares not owned by them ("Offer Shares") after the Proposals as the aggregate shareholdings of the Principal Vendors will exceed 33% of the enlarged issued and paid-up share capital of SEG.

The Principal Vendors are required to extend the Mandatory Offer to acquire the Offer Shares at a price which is to be determined in accordance with Section 20(1) of Part V of the Code, as follows:-

*“In the case of a mandatory offer, the offeror in any take-over offer shall offer as consideration that is to be paid or provided for the acceptances of the take-over offer an amount of not less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by the offeror or any person acting in concert with the offeror for any voting shares to which the take-over offer relates within six months prior to the beginning of the offer period.”*

We note from the EGM Circular that the *“potential mandatory general offer price (is) based on the issue price of RM1.50 per SEG Share in respect of the Proposed Acquisitions ..”*, which implies that the issue price of RM1.50 is the highest price paid or agreed to be paid by the Principal Vendors or any person acting in concert with the Principal Vendors for any Shares in SEG within six months prior to the beginning of the offer period concerned.

In addition, Section 20(2) of Part V of the Code - *“Where the offeror or any person acting in concert with the offeror has purchased or agreed to purchase any voting shares to which the take-over offer relates during the offer period at a consideration that is higher than the consideration stated in the offer document to be paid or provided for the acceptances of the take-over offer, the offeror shall increase the consideration that is to be paid or provided for the acceptances of the take-over offer to not less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by the offeror or any person acting in concert with the offeror for any voting shares to which the take-over offer relates during the offer period.”*

**(b) Practice Note 2.9.1 of the Code - exemption provisions**

According to the EGM Circular, an application for the Proposed Waiver has been made to the SC by KEB, Datin Mah and Kee Shih-Lene under Practice Note 2.9.1 of the Code, whereby the Principal Vendors are seeking to be exempted from the obligation to undertake the Mandatory Offer in view that the obligation arose as a result of the issue of SEG New Shares to the Principal Vendors as consideration for the Proposed Acquisitions of Companies.

The SC had, vide its letter dated 4 September 2000, informed that it will only consider the application for the Proposed Waiver after all conditions stipulated in Section 1.6 of the EGM Circular have been met. Amongst others, the SC required the prior approval of the shareholders of SEG to be obtained for the Proposed Waiver at an EGM to be convened, wherein all of the interested parties and persons acting in concert with them will abstain from voting.

Practice Note 2.9.1 provides for exemptions to be given by the SC for mandatory offer obligations “where the person incurs an obligation under Part II of the Code by reason of the issue of new voting shares to him as consideration for the sale or disposal of assets and/or interests by that person” subject to, amongst others, the following conditions:-

- (i) “.....there has been no disqualifying transactions. (A “disqualifying transaction” refers to a transaction where the person to whom the new securities are to be issued or any group of persons acting in concert with him, has purchased voting shares of the company in the 6 months prior to the posting to the holders of the voting shares of the circular relating to the proposal but subsequent to negotiation, discussion, understanding or agreement with the directors of the company in relation to the proposed issue of new securities, whichever is the earlier.)”

The EGM Circular confirms that KEB, Datin Mah and Kee Shih-Lene, being the Parties Acting in Concert, have not acquired any SEG Shares in the six (6) months prior to the despatch of the EGM Circular but subsequent to the signing of the Conditional S&P dated 22 October 1999 pertaining to the Proposed Acquisitions, whichever is earlier.

- (ii) “.....approval has been obtained from the independent holders of voting shares of the offeree, on a poll, at a meeting of the holders of the relevant class of securities for the parties concerned to gain control of the company without having to make a mandatory offer under Part II of the Code.”

The approval of the shareholders of SEG for the Proposed Waiver is being sought at the forthcoming EGM of the Company to be convened, wherein all of the interested parties and persons acting in concert with them are to abstain from voting.

- (iii) “.....the holders of the relevant class of voting shares of the offeree must have been provided with competent independent advice regarding the proposed waiver by an independent adviser whose appointment must have been approved by the (Securities) Commission....(and that)....the independent adviser’s circular to holders of the relevant class of voting shares of the offeree, setting out details of the proposed waiver, have also been consented to by the (Securities) Commission before being circulated.”

MIMB has been appointed as the Independent Adviser to the minority shareholders of SEG for the Proposed Waiver. The appointment of MIMB as Independent Adviser has been approved by the SC on 12 September 2000.

This Independent Advice Circular has been cleared by the SC on 9 November 2000.



(c) **Declarations**

In accordance with Schedule 2 of the Code, the following confirmations have been made by SEG, KEB, Datin Mah and Kee Shih-Lene, where applicable, in respect of the Proposed Waiver:-

- KEB, Datin Mah and Kee Shih-Lene confirmed that they do not intend to:-
  - (i) discontinue the business of SEG;
  - (ii) effect any immediate changes to the existing business activities of SEG Group except where such changes are required in view of the injection of new businesses into the SEG Group or where changes are required pursuant to rationalisation of business within the enlarged SEG Group;
  - (iii) effect any material re-deployment of the existing fixed assets of SEG Group except where such re-deployment is necessary to maximise utilisation of resources; and
  - (iv) effect any major change to the continued employment of the employees or employment policies of SEG Group except that such re-deployment of staff may be effected to rationalise and/or improve the efficiency of operations.
- SEG confirmed the following:-
  - (i) There is a service contract entered between SEG and Tuan Haji Taib bin Rasak on 23 May 1997 which is determinable by either party giving two (2) months notice or payment of two (2) months salary in lieu thereof.

Save as disclosed above, none of the Directors or proposed Directors of SEG has/shall have any service contract with SEG or any of its subsidiary companies which is not determinable by the employing company without payment of compensation within 12 months up to the date of the Independent Advice Circular. Further, no such service contract has been/shall be entered into or amended within 6 months up to the date of the Independent Advice Circular.
  - (ii) That SEG has no shareholding in KEB as at 2 November 2000.
- The Directors of SEG confirmed they will vote in favour of the Proposed Waiver in respect of their direct and indirect shareholdings in SEG at the forthcoming EGM to be convened in respect of, inter-alia, the Proposed Waiver.

**5.4.3 Rationale**

SEG has stated in the EGM Circular that the rationale for the Proposed Waiver is as follows: *“The Proposed Waiver is to facilitate the Proposed Acquisition of the Companies and in view that the potential mandatory general offer price based on the issue price of RM1.50 per SEG Share in respect of the Proposed Acquisitions is below the current ex-bonus closing market price of SEG Shares as at 3 November 2000 (being the most practicable date prior to the printing of the Circular) of RM2.13, there would be no benefit for the minority shareholders of SEG to accept the mandatory general offer from KEB, Datin Mah and Kee Shih-Lene.”*

We understand that the Proposed Waiver is recommended by the Board with regard to the following:-

(a) **Mandatory Offer obligation results from the Proposed Acquisition of Companies**

(i) The Proposed Waiver is to facilitate the Proposed Acquisition of Companies. In this respect, we note the following in relation to the rationale for the Proposed Acquisition of Companies as set out in the EGM Circular:-

- ✎ The Acquiree Companies' involvement in the education sector ranges from operation of colleges, child-care centres and childrens' educational and recreational centres, to provision of educational programmes and training services. These appear complementary to the existing core activities of SEG Group which are education-based.

The commitment expressed in the Managing Directors' Statement of KEB in its 1999 Annual Report that the *"Group will continue to further groom the Education Division, which already has a strong mix of diversified businesses in niche markets, as market leaders. With less competition in these niche markets, there is room for tremendous growth for this Division. Upon the completion of the proposed reverse take-over of the Systematic Education Group Berhad, the Group's involvement in the education sector will be further fortified as the premier educational provider in Malaysia."*

- ✎ Both KEB and Datin Mah have past experience or involvement in education-related services.

Premised on the foregoing, we understand that the Proposed Acquisition of Companies is being undertaken with the objective of strengthening the core educational-based activities of SEG and therefore, appears to be in the interest of SEG.

(ii) We note from the EGM Circular that *"the Board of Directors of SEG also expects that, barring any unforeseen circumstances, the EPS of SEG under the After Proposals (scenario) would be better than the Before Proposals (scenario) commencing from the financial year ending 31 December 2001."*

(iii) Due regard is also given to the profit guarantee commitments of the Principal Vendors as well as the moratorium condition imposed on the vendors of the Acquiree Companies, details of which are provided in the EGM Circular. In summary:-

- ✎ KEB agreed to guarantee that the BBC Group, and the SES Group together with SME Group would achieve minimum aggregate profit before tax of RM23,700,000 ("BBC Guaranteed Profit") and RM13,300,000 respectively for a three (3) year period commencing from the completion dates of the acquisitions concerned. Datin Mah and Kee Shih-Lene agreed to irrevocably indemnify KEB against 42.5% of all losses, damages, claims, etc. of any nature that may be brought against KEB in connection with the latter's obligation under the BBC Guaranteed Profit.

- The moratorium condition is imposed on KEB, Datin Mah, Kee Shih-Lene and Noah Foundation as regards 50% of the number of SEG Shares to be received by them as consideration for the Proposed Acquisitions.

The above conditions may ensure that the Principal Vendors continue to operate the Acquiree Companies in a profitable manner to the benefit of the minority shareholders of SEG.

(b) **Financial evaluation**

**Potential Mandatory Offer price**

The Directors of SEG have in the abovesaid rationale also highlighted that in view that the potential Mandatory Offer price based on the issue price of RM1.50 per SEG Share in respect of the Proposed Acquisitions is below the current theoretical adjusted ex-bonus closing market price of SEG Shares as at 6 November 2000 (being the latest practicable date prior to the despatch of this Independent Advice Circular) of RM2.13, there would be no benefit for the minority shareholders of SEG to accept the Mandatory Offer.

In this regard, we have illustrated below the financial position of a minority shareholder with 1,000 SEG Shares in terms of capital value, based on the specified scenarios:-

Decision	Capital Values	RM I	RM II	RM III
(1) Votes for the Proposed Waiver and retains the 1,000 SEG Shares	1,000 SEG Shares, based on theoretical market prices (before transaction costs)	1,500	1,510	2,130
(2) Votes against the Proposed Waiver and accepts the Mandatory Offer	1,000 SEG Shares, based on assumed cash offer price of RM1.50 per share	1,500	1,500	1,500
Potential loss of Decision (2) as compared to (1) in terms of:				
- amount		-	10	630
- percentage		-	0.7%	29.6%

**Notes:-**

- Scenario I** - *The theoretical adjusted price after the Proposed Bonus Issue of RM1.50 based on the last transacted price of SEG Shares on 22 October 1999, (being the last market day prior to the date of the announcement of the Proposals and suspension of SEG shares on the KLSE on 25 October 1999) of RM2.10.*
- Scenario II** - *The theoretical adjusted price after the Proposed Bonus Issue of RM1.51 based on the 3-month weighted average market price of SEG Shares up to 22 October 1999 (being the last market day prior to the date of the announcement of the Proposals and suspension of SEG shares on the KLSE on 25 October 1999) of RM2.11.*
- Scenario III** - *Based on the theoretical adjusted price after the Proposed Bonus Issue of RM2.13 based on the 3-month weighted average market price of SEG Shares up to 6 November 2000 (being the latest practicable date prior to the despatch of this Independent Advice Circular) of RM2.98.*

Based on the above illustration, it appears that the Mandatory Offer may not be beneficial to minority shareholders in terms of the capital value which may be derived therefrom, for as long as SEG Shares are traded at theoretical ex-bonus market prices which are above the potential Mandatory Offer price of RM1.50 per SEG Share. In such circumstances, it would be financially more beneficial for minority shareholders of SEG to sell their Shares in the open market than to accept the Mandatory Offer.

Shareholders of SEG should take note that the potential gain or loss accruing on the capital value of their Shares would be dependent on the future price movements of SEG Shares as traded on the KLSE. Shareholders of SEG should therefore take due care to monitor the future price movements of SEG Shares as traded on the KLSE before voting on the resolution relating to the Proposed Waiver.

For information, we set out hereunder the monthly highest and lowest prices and transacted volume of SEG Shares as traded on the KLSE for the past 12 months to 31 October 2000 and the period from 1 November 2000 to 6 November 2000 (being the latest practicable date prior to the printing of this Independent Advice Circular):-

	<b>High RM</b>	<b>Low RM</b>	<b>Volume '000</b>
<b>1999</b>			
November	2.13	1.91	25
December	2.55	1.93	113
<b>2000</b>			
January	2.90	2.40	430
February	6.55	2.73	8,897
March	4.56	3.30	2,378
April	4.30	3.50	393
May	3.98	3.50	127
June	3.50	2.75	221
July	3.48	2.89	68
August	3.28	2.82	370
September	2.98	2.58	100
October	3.08	2.50	152
1 November - 6 November	2.98	2.85	36

*Source: Data extracted from Bloomberg*

Note:- The potential Mandatory Offer price of RM1.50 is based on an ex-bonus basis. The equivalent price of SEG Shares, without taking into account the Proposed Bonus Issue, to the potential Mandatory Offer price of RM1.50 is RM2.10.

Based on the above, it may be seen that the lowest market price of SEG Shares traded on the KLSE during the period under consideration was RM1.91 in November 1999, whilst the highest market price traded was RM6.55 in February 2000.

## Dividend considerations

As an additional financial consideration, we note that the dividend record of SEG for the past three financial years ended 31 December 1996 to 1999 was consistent, as follows:-

	< ----- Year ended 31 December ----->			
	1996	1997	1998	1999
Gross dividend rate (%)	10.0	10.0	10.0	10.0

We also noted from the EGM Circular, that *“On 20 July 2000, the Board declared an interim dividend of 15 sen per share based on the existing issued and paid-up share capital of SEG of RM19,000,000 comprising 19,000,000 SEG Shares in respect of the financial year ending 31 December 2000. The interim dividends were paid on 28 August 2000. As at the date of this Circular, the Board of Directors of SEG has yet to deliberate on any final dividends to be declared in respect of the financial year ending 31 December 2000.”*

Shareholders who retain their shareholdings in SEG would be entitled to future dividend payments by SEG, if any. There is no assurance however that SEG will continue to pay dividends and if it does, that it will continue to pay the same quantum of dividends as before.

Premised on the above considerations, the Proposed Waiver would be recommended:-

- (a) for minority shareholders who are confident of the future prospects of the enlarged SEG Group after the completion of the Proposed Acquisition of Companies (and the other Proposals), and who therefore, wish to retain their investment in the Company; and
- (b) for as long as SEG Shares are traded at theoretical ex-bonus market prices which are above the Mandatory Offer price of RM1.50 per SEG Share (subject to the offer price not being varied upwards subsequently).

## 5.5 Other salient considerations

We draw attention to Section 8 of the Letter to Shareholders in the EGM Circular on "Risk Factors", in relation to which minority shareholders should give due and careful regard to all the various risk considerations set out therein.

## 6. MIMB'S OPINION AND RECOMMENDATION

6.1 Based on our evaluation as set out above:-

- (a) We are of the opinion that the terms of the Proposed Acquisition of Office Buildings, taken as a whole (with due regard to the Proposed Acquisition of Companies which is inter-conditional with the Proposed Acquisition of Office Buildings) and from a financial viewpoint, are fair and reasonable, and barring unforeseen circumstances, should not be detrimental to the interest of the minority shareholders of SEG in the foreseeable future. Accordingly, we recommend that you vote in favour of the ordinary resolution pertaining to the Proposed Acquisition of Office Buildings to be tabled at the Company's forthcoming EGM.
- (b) We recommend that you vote in favour of the ordinary resolution relating to the Proposed Waiver if you are confident of the future prospects of the enlarged SEG Group after the completion of the Proposed Acquisition of Companies (and the other Proposals) and therefore, wish to retain your investment in the Company, and for as long as SEG Shares are traded on the KLSE at theoretical ex-bonus market prices which are above the Mandatory Offer price of RM1.50 per SEG Share (subject to the offer price not being varied upwards subsequently).

Yours faithfully,

For and on behalf

**MALAYSIAN INTERNATIONAL MERCHANT BANKERS BERHAD**

**YANG SHU-YIN (MRS LAI)**  
Chief Executive Officer & Executive Director

**LIM SIEW ENG**  
Senior General Manager  
Head of Corporate Advisory