

years of working experience in telecommunications industry span across sales & marketing, project management, operations and technical division of Singapore Telecom Ltd group (SingTel). He joined SingTel in 1976 as a Technician and progressed to the position of Business Development Manager in 1999. With his vast experience, he was seconded to Singapore Telecom International, the international arm of SingTel for 10 years to help set up the joint ventures in Asia. He was appointed the Chief Operating Officer of SingTel Cambodia in 1997 to spearhead the operations there for 2 years before returning to Singapore in 1999 where he was responsible for SingTel's joint ventures in Thailand, Indonesia, Cambodia and Vietnam. He left SingTel in 2000 and joined Network 365 Ltd as the Director of business development (Asia), a company incorporated in Ireland offering Mobile Commerce Solution before joining the UC Group.

#### **Mr Chuah Lip Jin –Vice President of Marketing and Business Development**

Mr Chuah, aged 35, joined UC Group on 1 October 2000. He graduated from the University of Newcastle, Australia with a Bachelor of Engineering in Computer Engineering in 1988 and holds a Master of Business Administration (International Business) from the University of Southern Queensland since 1999. Prior to joining the UC Group, he was the Chief Operation Officer from 1999 to 2000, Business Manager from 1997 to 1999 and Engineer from 1991 to 1996 in FCS Computer Systems Sdn Bhd.

#### **Mr Ho Ting Sai – Vice President of Sales**

Mr Ho, aged 36, joined UC Group on 1 March 1999. He has more than 10 years of experience in the IT industry with core competencies in telecommunication products and services. Prior to his appointment with UC Group, he was a product manager in Dialogic S.E.A Pte Ltd from 1995 to 1998 and a development engineer in Agilis Communications Pte Ltd from 1994 to 1995. Mr Ho is a graduate from Nanyang Technology University with a Bachelor of Engineering (Hons) in Electrical and Electronic Engineering in 1994.

#### **Ms Vicky Tan – Director of Sales**

Ms Tan, aged 38, joined UC Group on 1 April 2000 to drive the Special Projects team which is responsible for the development of customised products and services to niche clientele that demand quality and efficiency. She is a graduate from the National Taiwan University in 1987 with Bachelor of Science in Medical Technology. Prior to her appointment with UC Group, she was a Malaysian Branch Representative in Pegasus Telecom Service Co. Ltd from 1999 to 2000, Marketing Manager in Bayer (M) Sdn Bhd from 1997 to 1998, Sales Manager/Product Specialist in Progressive Instruments Incorporation from 1988 to 1991 and subsequently rejoined from 1994 to 1997 and Technical Supervisor in EverAdvance Biotechnology Corporation from 1992 to 1994.

#### **Ms Lee Lai Fun – Technical Operations Manager**

Ms Lee, aged 41, joined UC Group on 1 January 2001. She oversees the technical division operations and improvement in staff skill that are vital to the success of the company's product development and planning. Due to her numerous years of experience in project management and staff management, Ms Lee contributed to the strengthening and building of the technical division. She is a graduate from the University of Arkansas, USA in 1984 with Bachelor of Science in Business Administration, majoring in data processing and quantitative analysis. Prior to her appointment with the UC Group, she was the general manager in Computer Telephony Integration Division, FCS Computer Systems Sdn Bhd from 1991 to 2000.

#### **Mr Foo Fang Yong – Research and Development Manager**

Mr Foo, aged 30, is one of the key pioneering staff of UCSB. He joined UCSB on 10 August 1998. Mr Foo contributed greatly to the success of designing UniLink. His core competencies are in computer technology application and signaling software development. Mr Foo graduated from the University of Science, Malaysia in 1997 with Bachelor of Engineering (Hons) in Electrical & Electronic Engineering majoring in telecommunication. Prior to joining UCSB, he was an engineer in Maxis Telecommunication Sdn Bhd from 1997 to 1998.

#### **Mr Colin Paul Day – Senior Vice President of Enterprise Solutions**

Mr Day, aged 44, joined UC Group on 1 April 2001. He has more than 10 years, experience in the business development, business process re-engineering, contract negotiations, systems and product development of the IT and network communication industry. He is qualified by examination for membership of Association of Administrative Accounts in 1976. Prior to joining the UC Group, he was a Divisional Manager in Project Data Management from 1999 to 2000, Business Development/Operations Manager in CISCO Recall Total Information Management (Singapore) Pte Ltd from 1996 to 1999, Customer Services Manager in Recall Total Information Management (UK) Ltd from 1994 to 1996, Commercial Director in Universal Archive Storage Ltd from 1990 to 1994, Commercial Manager in Commodity Market Services Ltd from 1988 to 1990, Accountant in JE Beale Plc from 1985 to 1988 and Management Accountant in Co-operative Retail Services Ltd from 1976 to 1985.

#### **Ms Chin Wei Li – Group Financial Controller**

Ms Chin, aged 32, is the Group Financial Controller of the UC Group. She is a Certified Public Accountant of the Malaysia Association of Certified Public Accountants and a member of the Malaysian Institute of Accountants. She started her career in Coopers & Lybrand (now PricewaterhouseCoopers) in December 1989. She has extensive experience in auditing where she held a portfolio of public listed companies involved in various industries. She left the firm as a Senior Manager and joined the UC Group on 16 January 2001.

The key management of UC Group is not expected to change after completion of the Proposed Acquisitions. Further, the Vendor shall enter into a service contract with UCSB to serve as a Managing/Executive Director for a period of five (5) years from the date of completion of the UC SPA.

### **3. RATIONALE FOR THE PROPOSALS**

The Proposed ACE Disposal is part of the corporate exercise to be undertaken by the ASB Group for the purpose of streamlining the Group's operations, in which the companies involved in the provision of financial services are proposed to be structured under the umbrella of UMG. The proceeds from the Proposed ACE Disposal are expected to form part of ASB Group's funding and working capital requirements, including to part finance the purchase consideration for the Proposed Acquisitions.

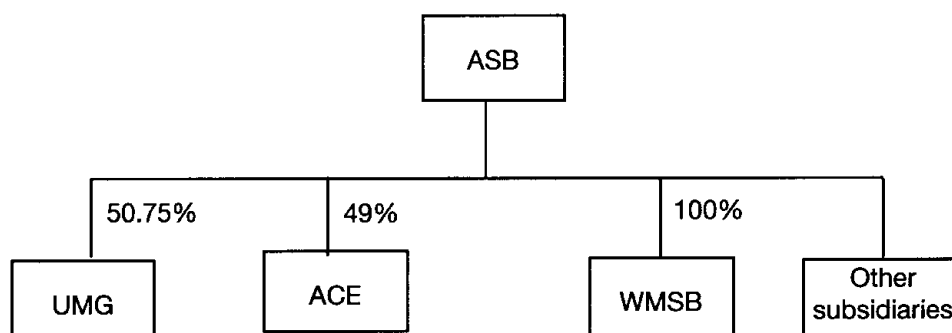
The Proposed Acquisitions provide an opportunity for the ASB Group to venture into the Information and Communications Technology (ICT) sector. The Acquiree Companies are poised to be a market leader in its field of expertise and with the rapid development of the ICT sector, the income stream from the UC Group is expected to enhance the earnings base of the ASB Group.

#### 4. EFFECTS OF THE PROPOSALS

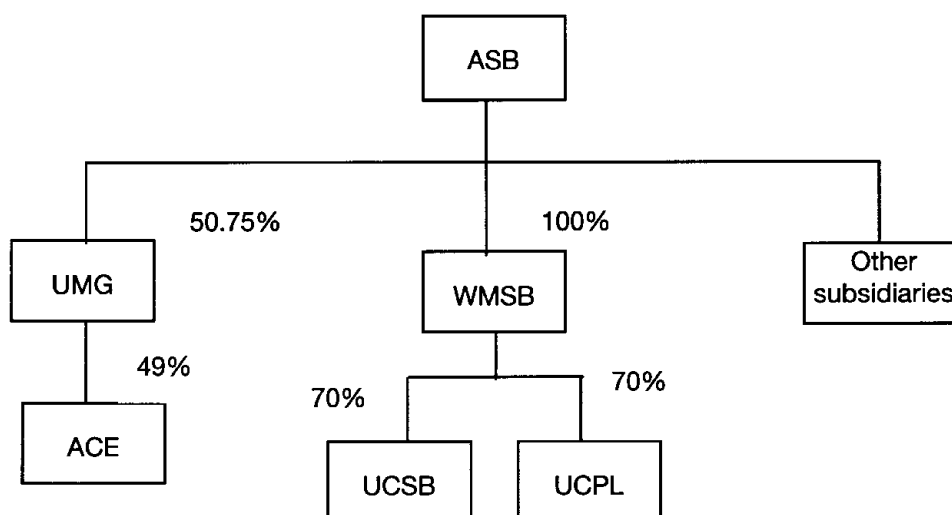
##### Corporate Structure

The effect of the Proposals to the corporate structure of ASB Group is as follows:

##### *Before Proposals*



##### *After Proposals*



#### 4.2 Share Capital

As the Proposed ACE Disposal and Proposed Acquisitions are to be satisfied entirely by cash, the Proposals will have no effect on the share capital of ASB.

#### 4.3 Earnings

Based on the audited accounts of ASB and ACE as at 31 December 2001, the Proposed ACE Disposal would result in an exceptional gain of approximately RM41.982 million at ASB level and approximately RM5.356 million at ASB Group level or RM0.02 per stock unit, based on 337,793,619 existing stock units of RM1.00 each in issue.

The Proposed Acquisitions are expected to be completed in the third quarter of 2002. Assuming the completion date to be 15 August 2002, the Proposed Acquisitions are expected to contribute positively to the Group's after-tax earnings for the financial year ending 31 December 2002 by RM5.51 million based on 70% of the profit guarantee provided by the Vendor on a time-apportioned basis. Accordingly, the increase in earnings to the Group before any provision for amortisation of goodwill arising from the Proposed Acquisitions translates into an improvement in EPS of RM0.02 for the financial year ending 31 December 2002, based on 337,793,619 existing stock units of RM1.00 each in issue.

#### 4.4 Proforma NTA

The effects of the Proposals on the Proforma NTA of ASB Group are as follows:

		I	II	III
	Audited as at 31 December 2001	After Proposed ACE Disposal	After Proposed Acquisitions	After Proposals
	RM'000	RM'000	RM'000	RM'000
Share capital	337,794	337,794	337,794	337,794
Share premium	430,437	430,437	430,437	430,437
Reserves	(342,582)	(337,226)	(342,582)	(337,226)
Stockholders' funds	425,649	431,005	425,649	431,005
Less: Intangibles	(93,282)	(93,282)	(188,587)	(188,587)
NTA	332,367	337,723	237,062	242,418
NTA per stock unit (RM)	0.98	1.00	0.70	0.72

#### 4.5 Major Stockholders

As the Proposed ACE Disposal and Proposed Acquisitions will be satisfied entirely by cash, there will be no effects on the major stockholding of ASB.

### 5. FUTURE PROSPECTS

#### 5.1 Economic outlook

The performance of the Malaysian economy in 2001 has been adversely affected by the greater-than-expected slowdown in the world economy, particularly in the U.S. as well as the continuing weak performance of the Japanese economy. The attack on the US had led to greater uncertainties with respect to the severity and duration of the recovery in the US. There are concerns on the risks of the US economy entering into a recession and its contagion on other industrialised and developing economies. In the light of the more difficult environment, real Gross Domestic Product (GDP) growth of the Malaysian economy is projected to grow by 1- 2% for 2001.

All major sectors are expected to be adversely affected by the slower growth in the economy, particularly manufacturing which is estimated to record a sharp deterioration in output growth. The steep decline in value added of the manufacturing sector has, however, to some extent been offset by the better performance from the agriculture, construction and services sectors. Given the growing difficulties in the external environment, growth in real GDP in 2001 has been largely domestic-led.

The outlook of the external sector in 2002 remains uncertain, particularly in the light of the aftermath of the attack on the US. While it is generally viewed that the US may avoid a recession, the recovery would be delayed with an upturn taking place gradually in the later part of 2002. The prospects for a growth in Japan continues to be discouraging, with the economy not expected to witness a rapid growth. Given the weaker performance of the US and Japan, world growth has subsequently been revised downwards to 2.6%, with the GDP growth for the major industrialised countries decelerating to 1.3%.

Taking cognisance of the uncertainties in the external environment, growth for the Malaysian economy will continue to be spearheaded by domestic activities. The Malaysian economy is forecast to grow by 4-5% in 2002, led by stronger performances in the manufacturing and services sectors.

*(Source: Economic Report 2001/2002)*

## **5.2 Industry Overview and Prospects**

The prospect of the UC Group depends largely on the prospect of telecommunication industry, the overview are as follows.

### **5.2.1 Industry Overview**

Globalisation and e-commerce remain one of the 2 key stimulants in the growth of the telecommunication industry. It is estimated that over the next three (3) years, telecommunication players will globally spend approximately above USD1 trillion on building next generation networks comprising hardware, software and services. USD300 billion will constitute expenditure within the Asia Pacific region.

The global telecommunication market size is estimated to be approximately USD300 billion at the beginning of the 21<sup>st</sup> century. The main bulk of the assets are located in developed countries like United States of America, Canada, United Kingdom, Europe and Japan. These countries have been the forefront of both the development and services for new telecommunications products as well as the main users.

The Asia Pacific telecommunication growth is currently limited to a number of countries, notably; Korea, Taiwan, Japan and Hong Kong while other countries in the region are still trying to follow suit but are hampered by financial problems within the country itself. Malaysia, Australia and Singapore are currently in the middle of the technology curve by striving to wire-up their respective key cities and government to create a paperless environment. However, for other regional countries such as Indonesia, Thailand, Myanmar and Philippines, their efforts are pale in comparison in terms of technology adoption due to inadequate resources to allocate for the development of 21<sup>st</sup> century infrastructure.

*(Source: Valuation Report by TMI dated September 2001)*

## 5.2.2 Prospects

The growth of the telecommunications industry is expected to be robust in the future taking into consideration that the phone penetration rate in Malaysia is generally considered to be relatively lower compared to more developed telecommunications markets in Asia, such as Hong Kong, Singapore and Taiwan. In line with the abovementioned factor, the rural penetration rate is expected to increase to 17.5 fixed line phones per 100 population in 2005 and the national penetration rate to 27.0. Cellular phones penetration is forecasted to be 38 per 100 population in 2005, spurred by its increasing popularity, convenience, competitive pricing and computing capacity (*Source: Eight Malaysian Plan, 2001 – 2005*).

GDP per capita in Malaysia was estimated at approximately US\$3,840 in 2000. By 2007, GDP per capita is expected to grow to approximately US\$4,810, representing an increase of 25.26%. In 2000, the population of Malaysia was approximately 23.26 million and is forecast to grow by approximately 2.58 million to approximately 25.84 million by 2007. The penetration rate for fixed-line and mobile telephone services in Malaysia remains relatively low compared to more developed markets in Asia. The following table sets forth comparative industry and economic information for Malaysia and certain other Asian countries:

	As of 2000			GDP per capita (US\$)
	Population (million)	Fixed Line Penetration (%)	Cellular Penetration (%)	
China	1,259.3	11.4	6.8	855
Hong Kong	6.8	57.7	80.1	23,633
India	1,021.4	N/A	0.4	475
Japan	126.9	58.5	52.6	37,625
Malaysia	23.3	19.9	21.3	3,956
Singapore	4.0	48.7	68.7	26,824
South Korea	47.3	46.4	56.8	9,706
Australia	19.2	52.3	44.5	22,758

(*Source: World Markets Research Centre – Telecoms*)

### The Malaysian Telecommunications Sector

As part of the implementation of Vision 2020, the Malaysian government passed the Communications and Multimedia Act 1998 which provided the legal framework for a new policy and regulatory regime for the convergence of the telecommunication, broadcasting and computing industries. Central to this legal framework is the Malaysian Communications and Multimedia Commission, which provides the regulatory framework and oversees the grant and oversight of individual and class licences for the telecommunications, broadcasting, information technology and online services industries.

The telecommunications industry in Malaysia has grown strongly in recent years. In 2000, Malaysia had approximately 5.85 million subscribers, accounting for approximately 25% of its population. The following tables give details of the number of subscribers and connections in the fixed-line and mobile telephone industries in Malaysia for the period 1996 to 2000. As the table shows, although the number of subscribers to fixed-line telecommunications services in Malaysia has grown substantially from approximately 3.77 million in 1996 to approximately 4.63 million in 2000, representing an increase of 22.81%, over the same period, the number of cellular subscribers has grown from approximately 1.51 million to approximately 5.85 million, representing an increase of over 287.42%.

	1996	1997	1998	1999	2000
Population	21.20	21.70	22.20	22.70	23.30
Fixed-Line DEL(1) Connections	3.77	4.25	4.37	4.42	4.63
Total DEL Connections (mm)					
Annual Growth (%)	-	12.90%	2.80%	1.20%	4.60%
Penetration (DEL connections per 100 population)	17.80	19.60	19.70	19.50	19.90
Cellular Subscribers Total Subscribers (mm)	1.51	2.46	2.15	2.72	5.85(2)
- Digital	0.41	1.08	1.60	2.28	5.65(2)
- Analogue	1.11	1.38	0.55	0.44	0.20(2)
Annual Growth (%)	-	62.70%	(12.60)%	26.40%	115.07%(3)
Penetration (Subscribers per 100 population)	7.10	11.40	9.70	12.00	22.00

(1) DEL: Residential and Business Direct Exchange Line (DEL) connections

(2) Figures taken from Malaysia Wireless Market, The Strategis Group, June 2001

(3) Computed

(Source: Malaysian Communications And Multimedia Commission, Industry Statistic, updated January 2002)

### **The Malaysian Mobile Telephone Services Market**

In 2000, there were approximately 5.65 million digital cellular subscribers and approximately 0.20 million analogue cellular subscribers. The number of digital cellular subscribers in Malaysia is forecast to increase to approximately 14.97 million by 2007.

(Source: Malaysia Wireless Market, The Strategic Group, June 2001)

### **Cellular Industry Trends in Malaysia**

The intensity of competition in the market led to cellular operators launching new services and packages to attract more subscribers. Among the new products, prepaid packages have enjoyed tremendous success in Malaysia since their debut in 1998. These prepaid services were well-received by subscribers due to the economic downturn in the country. The prepaid service segment is expected to continue to grow. The number of prepaid subscribers was forecasted to equal the number of postpaid subscribers by 2004.

Since 1995, the mobile telephone services sector has grown rapidly with more cellular operators entering the market. Despite the economic downturn in 1997 following the Asian financial crisis, the growth in the overall number of cellular subscribers in Malaysia remained positive and the number of cellular subscribers grew from approximately 2.72 million in 1999 to approximately 5.85 million in 2000, representing an increase of over 115%. The number of cellular subscribers is forecast to grow at an annualized rate of over 14% between 2000 to 2007.

(Source: Malaysia Wireless Market, The Strategies Group, June 2001)

With cellular handsets becoming cheaper as a result of the removal of the 20% import duty and 10% sales tax on handsets as well as technological advancement, the entry cost of becoming a cellular phone user is expected to decline and should act as an impetus to attract new users. The emergence of pre-paid services also remains a growth driver for the cellular phone market due to its lower barriers to entry for new cellular phone users. In addition to the low cost of using the cellular phone services, the relatively low age

demographics will also fuel subscriber additions in the future. Based on the statistics from the Eighth Malaysian Plan, approximately 56% of the population in Malaysia is in the middle to high-income group which can be also inferred to reflect the future potential of the cellular phone industry. In view of the foregoing, the prospects of the telecommunications sector in Malaysia is considered to be positive.

The UC Group sees the following opportunities within the Asia Pacific market where they have positioned its market:

- (i) Asia Pacific is considered to have potential for further growth in relation to telecommunication services compared to other developed countries;
- (ii) Asia Pacific and Japan will lead in the Mobile with approximately 280 million subscribers by 2005 (Source: Gartner Dataquest Incorporated);
- (iii) Internet protocol based solutions/equipment market in the Asia Pacific to grow from USD300 million to USD4 billion by 2005 (Source: International Data Corporation);
- (iv) Asia Pacific Call Centers services to grow from USD1.2 billion in 2000 to USD4 billion in 2005 (Source: International Data Corporation); and
- (v) Data Centers market worldwide to grow from USD 4 billion in 2000 to USD19 billion in 2005 (Source: Adventis Corporation)

Based on the above, the prospects of the UC Group are expected to be bright. In line with the rapid growth in demand of innovative telecommunication products and services within the industry, the UC Group has positioned itself to tap this rapidly moving and growing industry by:

- (i) constantly expanding and investing in research and development;
- (ii) constantly expanding its strategic partnerships with global communication corporations. Currently the established strategic tie-up includes amongst others, Intel Corp., Lucent Technologies, Cisco Systems, Oracle, Pracom Limited, Quintum and Speechworks;
- (iii) constantly and rapidly establishing its international network in order to track the dynamics of the regional and local telecommunication markets needs and potential; and
- (iv) actively pursuing business opportunities in the China market.

## **6. RISK FACTORS**

Stockholders should carefully consider, in addition to other information contained herein, the following information before voting on the resolutions pertaining to the Proposed Acquisitions:

### **6.1 Business Risks**

The business of the UC Group may be difficult to evaluate due to its limited operating history in a dynamic market with rapid changing product development, installation and maintenance. The prospects of the UC Group must be considered in light of the risks, costs and difficulties frequently encountered by emerging companies in the competitive telecommunications industry.



The UC Group's business can be adversely affected by many factors including their ability to maintain and increase the size of customer base, maintain and expand the range of services, compete with other solution providers, keep pace with changing technology and evolving industry standards, provide reliable maintenance and support services and attract as well as retain appropriately qualified skilled personnel.

The following measures are taken by the UC Group to mitigate against the business risks:

- Expand their strategy alliance with leading technology companies in the industry;
- Expand their R&D in developing new products and solutions;
- Offer wide range of niche and complementary innovative solutions;
- Expand their clients base and regional coverage to reduce risks of reliance on single market or country;
- Expand their operations through strategic acquisitions and joint ventures or expanding office network; and
- Expand and retain appropriately qualified and skilled professional through better remuneration.

## **6.2 Political, Economic and Regulatory Considerations**

Adverse developments in political and economic conditions in Malaysia and countries where the UC Group has business dealings could materially and adversely affect the financial prospects of the UC Group. Other uncertainties include risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, changes in interest rates, methods of taxation and currency exchange controls.

The UC Group will adopt effective measures such as prudent financial management and efficient operating procedures to assess its various business strategies and plans. However, there is no assurance that adverse political and economic factors will not materially affect the UC Group.

## **6.3 Competition**

The inability to compete successfully with competitors will adversely affect revenues and growth or may prevent the UC Group from retaining their clients. The market in which the UC Group operate is relatively competitive in that various competitors can provide services in different areas. Therefore, the UC Group is expected to face more intense competition from existing competitors and new entrants into the market in the future.

The principal elements of competition include technical competence, delivery cycle time, pricing, quality, conformity with industry standards, reliability and customer service. The competitors may have longer operating histories, larger clientele, better products, larger teams of professional staff and greater financial, technical, marketing and other resources. They may be able to devote more resources to the development, promotion and sale of their services. The UC Group's continued success depends on their ability to compete effectively with existing and future competitors and to adapt to rapidly changing market conditions and trends by providing converged communications solutions and services that are relevant and required by clients.

The UC Group, however, believes that the converged telecommunications industry is relatively new and there are few direct comparable companies and hence there are no reliable market share data or industry ranking which is available. To ensure a strong competitive edge, the UC Group will continue to develop and offer wide range of niche and high quality innovative solutions to meet market demand, reassess its marketing strategies and products/solutions specialisation with a view to react effectively to changing market trend and technologies advancement.

#### **6.4 Reliance on limited number of customers**

A significant portion of the UC Group's revenues in any particular period is derived from a limited number of customers. If a significant customer, or group of customers, cancels, delays orders or does not continue to purchase the UC Group's products at or above historical levels, the UC Group's business could be harmed.

The amount of revenue derived from a specific client varies from period to period. A major client in one period may not produce significant additional revenue in a subsequent period. Therefore, if the UC Group loses any major client, their revenue could decline significantly.

To mitigate against the risk, the UC Group will continue to formulate effective and efficient sales and marketing strategies to expand its market reach to other market segments and other region through strategic acquisition, partnership, joint venture partners or office network.

#### **6.5 Rapid technological changes**

The UC Group is affected by rapid technological changes due to changing market trends, evolving industry standards and new technologies. There is no assurance that the UC Group will be able to successfully identify, develop or obtain licences for the technology that is necessary to integrate into their services for them to remain current and competitive. Improved technology may also render the UC Group's products obsolete or redundant.

The UC Group recognises the importance of having a wide range of innovative products and solutions to compete effectively and hence will continue to invest in its research & development effort to keep pace with the technology advancement and trend.

#### **6.6 Reliance on hardware and licensed software from third-party developers**

Hardware and software that are integrated with internally developed software products and applications of the UC Group to perform key functions are supplied by other hardware vendors.

The loss of or inability to maintain hardware or software licenses or the inability of the third parties to upgrade their products in a timely and cost effective manner in response to changing customer needs, industry standards or technological developments could result in delays, reductions or disruptions in the UC Group's operations which could harm their business.

There is a continuous evaluation and assessment process adopted by the UC Group on its existing strategic partnership with technologies partners/suppliers that will enable the UC Group to develop applications using third party hardware and software. This strategy will ensure the continued expansion of strategic ties with new and upcoming technology players to reduce the risks of reliance on limited vendors, besides the UC Group's strive to invest in research and development work, to expand the range of innovative products and services as well as to expand its client base and hence revenue opportunities.

#### **6.7 Dependence on skilled professionals**

As the UC Group operates in a knowledge-intensive industry, the quality of the UC Group's services and solutions is to a large extent dependent on the ability of the employees to keep abreast of evolving industry standards, IT developments and the changing requirements and business environment in which the UC Group's clients function. Competition for such skilled professionals has proven to be intense and the UC Group may not be able to attract and/or retain qualified personnel.

The UC Group stresses the importance of training and development of its staff to ensure that they are equipped with the latest skills to meet the rapid technology advancements.

#### **6.8 Risks related to the UC Group's projects**

Most of the converged communications solutions and services are based on fixed-price contracts. The price is estimated at bid-time and the UC Group may underestimate the project costs.

A substantial part of the UC Group revenues are derived from fees for services generated on a project-by-project basis. A client that accounts for a significant portion of the revenue in a given period may not generate a similar amount of revenue in subsequent period. Further, when a project is completed, there is no assurance that the client will continue with the UC Group's services for future needs.

Delays may arise from incomplete specifications or unanticipated difficulties in developing the solutions. Project delays will affect revenue recognition and may result in additional costs. Timely completion of projects will allow other projects to commence and thereby maximise the use of resources. Inability to turnaround and complete a project as scheduled will adversely affect revenue.

Technology deficiencies, staff turnover, human errors, misinterpretation of and failure to adhere to specifications and procedures will cause failure to implement projects, which fully satisfy requirements and expectations of clients. This may lead to termination of services in whole or in part which could in-turn, prematurely and adversely affect the profits and reputation of the UC Group.

The UC Group will continue to improve and enhance the inflow of revenue via good penetration of key customers and proactively offer enhanced and new innovative solutions to support the growth of its customers. The UC Group will also continue to strive for improvement in the product design and development process, the quality of its service and products delivery channel and strengthen its existing operating procedures and quality check procedures to ensure consistent high quality and timely delivery of products and services.

#### **6.9 Proprietary rights may not be adequately protected / Threat of third party claims on infringement of proprietary rights**

The UC Group may not be able to detect unauthorised use or misappropriation of their intellectual property, or to take appropriate steps to enforce their rights. In addition, third parties may assert that the UC Group's products may infringe their proprietary rights. Such claims, with or without merit could be time consuming, result in costly litigation and diversion of technical and management personnel, cause product shipment delays or require the UC Group to develop non-infringing technology or enter into royalty or licensing agreements. Software product developers are expected to be increasingly subject to infringement claims as the number of products and competitors in the industry grows and the functionality of products in different industry segments overlaps.

The UC Group exercises stringent control over the access and security of its proprietary intellectual property. The UC Group will continue to work with technologies partners to develop software with appropriate licensing right and technologies arrangement.

#### **6.10 The Group's business may be affected by technology obsolescence**

Due to the current fast pace of technological advancements and improvements, applications or solutions developed based on a particular technology (e.g. computer telephony and switching applications as in the case for the UC Group), may become obsolete faster than expected due to changes if the UC Group is not competent enough to keep up with such trends.

Should such an event occur, the UC Group's performance could be adversely affected.

The UC Group is committed to actively invest in research and development activities, including the recruitment and retaining of qualified professionals to enhance its range of products and solutions offered.

## **7. CONDITIONS TO THE PROPOSALS**

The Proposed ACE Disposal is subject to the following approvals:

- (i) Bank Negara Malaysia, of which approval was received on 14 May 2001 with no conditions attached;
- (ii) the SC, for UMG's utilisation of part of its funds from the disposal of its banking business to acquire 49% equity stake of ACE;
- (iii) the FIC to be obtained by UMG;
- (iv) the shareholders of UMG;
- (v) the stockholders of ASB at the forthcoming EGM to be convened; and
- (vi) any other relevant authorities.

The Proposed Acquisitions are subject to the following approvals:

- (i) the approval of the stockholders of ASB;
- (ii) the approval of the loan stock holders of ASB; and
- (iii) any other relevant approvals.

## **8. DIRECTORS' AND MAJOR STOCKHOLDERS' INTERESTS**

### **8.1 Directors**

Dato' Ahmad Sebi Bakar is the Executive Chairman of ASB and Chairman of UMG, as well as major stockholder of ASB. He has abstained and will continue to abstain from all Board deliberations as well as voting in the forthcoming EGM pertaining to the Proposed ACE Disposal.

None of the other directors of ASB have any interest direct or indirect, in the Proposed ACE Disposal except Dato' Ahmad Sebi Bakar.

The direct and indirect interest of the directors of ASB in the stock units of ASB as at 30 April 2002 are as follows:

	Direct		Indirect	
	No. of stock units of RM1.00 each	% held	No. of stock units of RM1.00 each	% held
Dato' Ahmad Sebi Bakar	15,020,009	4.44	27,451,109 <sup>1</sup>	8.13
Datin Masri Khaw Binti Abdullah	6,000	0.002	700,000 <sup>2</sup>	0.21

Note:

<sup>1</sup> Deemed interest by virtue of his shareholdings in Suasana Dinamik Sdn Bhd and Bright Existence Sdn Bhd which in turn directly holds 4.71% and 3.42%, respectively, in ASB.

<sup>2</sup> Deemed interest by virtue of her shareholding in ASH Holdings Sdn Bhd, which in turn directly holds 0.21% in ASB.

## 8.2 Major stockholders

Dato' Ahmad Sebi Bakar is the only major stockholder in ASB.

Dato' Ahmad Sebi Bakar and the persons connected, namely Suasana Dinamik Sdn Bhd and Bright Existence Sdn Bhd, will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution pertaining to the Proposed ACE Disposal.

Dato' Ahmad Sebi Bakar has undertaken to ensure that the persons connected, namely Suasana Dinamik Sdn Bhd and Bright Existence Sdn Bhd, will abstain from voting in respect of their direct shareholdings on the resolution pertaining to the Proposed ACE Disposal.

## 8.3 Proposed Acquisitions

None of the directors or major stockholders or persons connected to them have any interest, direct or indirect, in the Proposed Acquisitions.

## 9. INDEPENDENT ADVISER

As the Proposed ACE Disposal is a related party transaction under the Listing Requirements of KLSE, the Independent Directors of ASB have appointed MIMB to act as the independent adviser to advise the minority stockholders of ASB on the Proposed ACE Disposal.

## 10. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposals, the Board is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, your Board (save for Dato' Ahmad Sebi Bakar who is deemed interested in the Proposed ACE Disposal and who has abstained from deliberation on the Proposed ACE Disposal) recommends that you refer to the Independent Advice Letter on the Proposed ACE Disposal prepared by MIMB set out in Part B of this Circular and vote in favour of the Proposed ACE Disposal at the forthcoming EGM of the Company. In addition, the Board recommends that you vote in favour of the Proposed Acquisitions at the forthcoming EGM of the Company.

## 11. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara Off Jalan Damansara, 60000 Kuala Lumpur on Wednesday, 12 June 2002 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the relevant resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the Form of Proxy enclosed in this Circular in accordance with the instructions printed thereon as soon as possible and in any event as to arrive at the Registered Office of the Company at Level 3A (Tower Block), Menara Milenium, No 8, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, not later than forty-eight (48) hours before the time fixed for the meeting. The completion and return of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## 12. FURTHER INFORMATION

Stockholders of ASB are advised to refer to the attached appendices contained in this Circular for further information.

Yours faithfully  
For and on behalf of the Board of Directors  
**ADVANCE SYNERGY BERHAD**

**Wong Ah Nam @ Wong Joon Tuang**  
Independent Non-Executive Director