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SEG INTERNATIONAL BHD

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

STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY SEG INTERNATIONAL BHD OF ITS OWN ORDINARY SHARES

The above proposal will be tabled as Special Business at the Company’s Twentieth Annual General Meeting (“AGM”). Notice of the 20th AGM of SEGi to be held at Pahlawan 6, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on Wednesday, 21 June 2006 at 10.00 a.m. together with the Form of Proxy are enclosed in the Annual Report 2005 of the Company.

The Form of Proxy should be completed and returned in accordance with the instructions therein as soon as possible and should reach the Registered Office at 5th Floor, SEGi College, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan no later than 48 hours before the time stipulated for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending the meeting and voting in person if you are able to do so.

This Statement is dated 30 May 2006



SEG INTERNATIONAL BHD

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

SHARE BUY-BACK STATEMENT

1. INTRODUCTION

At the 19th AGM of the Company held on 28 June 2005, the Board of Directors of SEG International Bhd obtained a mandate from the Company's shareholders to purchase up to ten percent (10%) of its issued and paid-up share capital of the Company ("the Mandate"). The Mandate shall expire at the conclusion of the forthcoming 20th AGM unless the authority is renewed.

On 25 May 2006, the Company announced that it proposes to seek a renewal of the Mandate from its shareholders' for the Company to be authorised to purchase its own shares on Bursa Securities of such number of shares of RM1.00 each in the Company representing up to ten percent (10%) of its issued and paid-up share capital of the Company ("Proposed Share Buy-Back").

This Statement serves to provide you with the relevant information on the Proposed Share Buy-Back, to set out your Board's recommendation thereon and to seek your approval for the Proposed Share Buy-Back to be tabled at the forthcoming 20th AGM. The Notice of AGM together with the Form of Proxy are enclosed in the Annual Report 2005.

2. THE PROPOSAL

2.1 Proposed Share Buy-Back

The Board of Directors proposes to seek a renewal of the authorisation from its shareholders for the Company to purchase its shares up to ten percent (10%) of the issued and paid-up share capital of SEGi at any point in time through Bursa Securities. As at 30 April 2006, the total issued and paid-up share capital of the Company is RM89,092,755 comprising of 89,092,755 ordinary shares of RM1.00 each. The maximum number of ordinary shares of RM1.00 each which may be purchased and/or held by the Company will be ten percent (10%) of the issued and paid-up share capital of SEGi.

The authority from shareholders, if renewed, shall be effective upon the passing of the Ordinary Resolution for the Proposed Share Buy-Back at the 20th AGM, and will remain in effect until the conclusion of the next AGM of the Company, or until the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

2.2 Funding

The maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the retained profits and/or share premium account of the Company. Based on the latest audited financial statements as at 31 December 2005, the retained profits and share premium account of the Company were RM11,609,000 and RM35,876,000 respectively.

The amount of funds allocated for the purchase of the Company's shares pursuant to the Proposed Share Buy-Back shall be financed from internally generated funds and/or external borrowings, the proportion of which will only be determined later depending on the availability of internally generated funds, actual number of shares to be purchased and other relevant cost factors. The actual number of shares to be purchased and/or held, and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits, share premium account and financial resources available to the Company.

If the Company purchases and holds its own shares using external borrowing, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment would have not material effect on the cash flow of the Company.

2.3 Public Shareholding Spread

According to SEGi's Record of Depositors, the public shareholding spread of the Company as at 8 May 2006 was 51.01%. The public shareholding spread of the Company is expected to be reduced to 47.69% assuming the Company implements the Proposed Share Buy-Back in full i.e up to 10% of the issued and paid-up share capital of the Company, and that all the outstanding ESOS options are exercised prior to the implementation of the Proposed Share Buy-Back. Further, the purchased shares are assumed to be purchased from the market from shareholders of SEGi who are deemed public.

Notwithstanding the above, the Company, in implementing the Proposed Share Buy-Back, will be mindful in ensuring that the aforesaid public shareholding spread requirement is met and maintained at all times.

2.4 Implication of the Code

Based on the Company's issued and paid-up share capital and the shareholding of the substantial shareholders of the Company as at 8 May 2006, the Proposed Share Buy-back is not expected to trigger any obligation by the substantial shareholders of the Company and/or parties acting in concert with them to undertake a mandatory offer under the Code. The effect on the shareholdings of the substantial shareholders of the Company after the implementation of the Proposed Share Buy-back is shown in Section 4 of this Circular.

Nevertheless, in the event the Company purchases its own shares which would result in the substantial shareholders and/or parties acting in concert with them triggering a mandatory offer obligation under the Code, approval would be sought from the Securities Commission for exemption under Practice Note 2.9.10 of the Code before the purchase is made.

2.5 Potential Disadvantages of the Proposed Share Buy-back

The Proposed Share Buy-back, if implemented, will reduce the financial resources of the Company. This may result in the Company foregoing future investment opportunities and/or any income that may be derived from the deposit of such funds in interest bearing instruments. The cash flow of the Company may be affected if the Company decides to utilise bank borrowings to finance the Proposed Share Buy-back. As the Proposed Share Buy-back can only be made out of the retained profits and the share premium account of the Company, it may reduce the financial resources available for distribution to the shareholders of the Company in the immediate future. In addition, the Proposed Share Buy-back may reduce the consolidated NTA of the Company if the purchase price of its own shares is higher than the consolidated NTA of the Company at the time of purchase.

Nevertheless, the Proposed Share Buy-back is not expected to have any potential material disadvantages to the Company and its shareholders as the Company would purchase its shares only after the Board has given due consideration to its potential impact on the Company's earnings and financial position and the Board is of the opinion that it would be in the best interest of the Company and its shareholders to do so.

2.6 Purchase of SEGi Shares and Resale of Treasury Shares Made in the Previous Twelve (12) Months

Details of SEGi Shares bought back in the twelve (12) months preceding this Statement are as follows:-

Month	No. of Shares Purchased	Purchase Price Per Share (RM)		Average Price Paid Per Share RM	Total RM
		Lowest	Highest		
July 2005	71,000	1.19	1.25	1.24	88,158
September 2005	57,500	1.01	1.11	1.09	62,439
October 2005	323,300	0.85	1.00	0.97	312,487
November 2005	347,000	0.82	0.86	0.84	290,031
December 2005	253,100	0.81	0.83	0.82	208,132
January 2006	111,700	0.78	0.80	0.79	88,494
February 2006	151,800	0.82	0.83	0.83	125,680
Total	1,315,400	0.78	1.25	0.89	1,175,421

All 1,315,400 Shares are held as treasury shares. SEGi did not re-sell, cancel and/or distribute any treasury shares as dividends in the same period.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back will enable the Company to utilise its surplus financial resources to purchase its own Shares from Bursa Securities. It may stabilise the supply and demand of its Shares traded on Bursa Securities, thereby supporting its fundamental value.

The Proposed Share Buy-back, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of Shares carrying voting and participation rights. Therefore, the shareholders of the Company may enjoy an increase in the value of their investment in SEGi due to the increase in its EPS.

The purchased Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

4. FINANCIAL EFFECTS

On the assumption that the Proposed Share Buy-Back is carried out in full, the effects of the Proposed Share Buy-Back on the share capital, NTA, working capital, cash flow, earnings and shareholdings of Directors and substantial shareholders of SEGi are set out below:-

4.1 Share Capital

The proforma effect of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company are set out below:-

	No. of Shares
Existing issued and paid-up share capital as at 8 May 2006*	89,092,755
Outstanding ESOS Options**	2,250,000
	<hr/>
	91,342,755
Proposed Share Buy-Back^	(9,134,275)
	<hr/>
Resultant share capital	<u>82,208,480</u>

Notes:

- * *The issued and paid-up share capital stated above is inclusive of treasury shares held by the Company as at 8 May 2006.*
- ** *Assuming that all of the Outstanding ESOS Options are exercised prior to the implementation of the Proposed Share Buy-Back.*
- ^ *Assuming the Proposed Share Buy-Back is implemented in full i.e. up to 10% of the issued and paid-up share capital of the Company and the Shares purchased are subsequently cancelled.*

The effect of the Proposed Share Buy Back on the share capital of SEGi will depend on the intention of the Board with regards to the treatment of the purchased shares. If the purchased shares are cancelled, it will result in a reduction of the total issued and paid-up share capital of the Company as shown in the table above.

Conversely, if the purchased shares are retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of SEGi. Nevertheless, certain rights attached to the shares will be suspended while they are held as treasury shares.

4.2 NTA

The NTA of the Group may increase or decrease depending on the number of shares purchased, the purchase prices of the shares, the effective cost of funding and the treatment of the shares purchased.

The Proposed Share Buy-back will reduce the NTA per share when the purchase price exceeds the NTA per share at the time of purchase. On the contrary, the NTA per share will increase when the purchase price is less than the NTA per share at the time of purchase.

4.3 Working Capital

The Proposed Share Buy-back would reduce funds available for working capital purposes of the Company, the quantum of which would depend on the purchase price, the actual number of shares purchased and any associated costs incurred in making the purchase.

4.4 Earnings

The effects of the Proposed Share Buy-back on the earnings of the Group would depend on the purchase price and the number of shares purchased. The effective reduction in the issued and paid-up share capital of the Company pursuant to the Proposed Share Buy-back will, generally, all else being equal, have a positive impact on the consolidated EPS of the Company.

4.5 Dividend

The Board has recommended a final dividend of 2% less tax for the financial year ended 31 December 2005, subject to the approval of the shareholders at the forthcoming AGM. The Proposed Share Buy-back is not expected to have any material impact on the policy of the Board in recommending dividends for the financial year ending 31 December 2006, which would depend on, amongst others, the profitability and cash flow position of the Company.

5.0 DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The effect on the Directors' and substantial shareholders' shareholding based on the Register of Directors and Register of Substantial Shareholders of the Company as at 30 April 2006 respectively are as follows:

	#As at 8 May 2006				*After Proposed Share Buy-back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors</u>								
Dato' Pahamin A. Rajab	-	-	¹ 15,226,865	17.09	-	-	¹ 15,226,865	18.52
Dato' (Dr) Patrick Teoh Seng Foo	210,000	0.24	² 22,855,025	25.65	210,000	0.26	² 22,855,025	27.80
Dato' Clement Hii Chii Kok	945,500	1.06	² 22,855,025	25.65	945,500	1.15	² 22,855,025	27.80
Lee Kok Cheng	-	-	-	-	-	-	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas	297	Negligible	-	-	297	Negligible	-	-
Datin Fadzilah bte Saad	-	-	¹ 15,226,865	17.09	-	-	¹ 15,226,865	18.52
Amos Siew Boon Yeong	-	-	-	-	-	-	-	-
Simon Hue Fook Chuan	-	-	-	-	-	-	-	-
Abdullah Kamal Shafi'i	10,000	0.01	³ 18,982,078	21.31	10,000	0.01	³ 18,982,078	23.09
<u>Substantial shareholders</u>								
EcoFirst Consolidated Bhd (formerly known as Kumpulan Emas Berhad) ("EcoFirst")	20,620,025	23.14	⁴ 2,235,000	2.51	20,620,025	25.08	⁴ 2,235,000	2.72
Koperasi Pegawai-Pegawai Melayu Malaysia Berhad ("MOCCIS")	15,226,865	17.09	-	-	15,226,865	18.52	-	-
Ladang MOCCIS Sdn Bhd	3,755,213	4.21	-	-	3,755,213	4.57	-	-
Dato' (Dr) Patrick Teoh Seng Foo	210,000	0.24	² 22,855,025	25.65	210,000	0.26	² 22,855,025	27.80
Dato' Clement Hii Chii Kok	945,500	1.06	² 22,855,025	25.65	945,500	1.15	² 22,855,025	27.80
Dato' Pahamin A. Rajab	-	-	¹ 15,226,865	17.09	-	-	¹ 15,226,865	18.52
Datin Fadzilah bte Saad	-	-	¹ 15,226,865	17.09	-	-	¹ 15,226,865	18.52
Abdullah Kamal Shafi'i	10,000	0.01	³ 18,982,078	21.31	10,000	0.01	³ 18,982,078	23.09

Notes:

- # *Inclusive of 1,315,400 ordinary shares of RM1.00 each bought back currently held as treasury shares.*
- * *Assuming the Proposed Share Buy-back is implemented in full i.e. up to 10% of the issued and paid-up share capital of the Company and that all of the Outstanding ESOS Options are exercised prior to the implementation of the Proposed Share Buy-back.*
1. *Deemed interest held through MOCCIS, based on notification to the Company via Form 29A and Form 29B.*
 2. *Deemed interest held through his direct and indirect shareholding in EcoFirst.*
 3. *Deemed interest held through MOCCIS and Ladang MOCCIS Sdn Bhd, based on notification to the Company via Form 29A and Form 29B.*
 4. *Deemed interest held through Sawitani Sdn Bhd.*

6. APPROVALS REQUIRED

The Proposed Share Buy-Back is subject to and conditional upon the approval of the shareholders of the Company at the forthcoming AGM.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage shareholdings of the Directors and substantial shareholders of SEGi as a result of the decrease in the issued and paid-up share capital after the Proposed Share Buy-back, none of the Directors and/or substantial shareholders and/or person(s) connected to them, has any interest, direct or indirect, in the Proposed Share Buy-Back.

8. DIRECTORS' RECOMMENDATION

Your Directors, having considered all aspects of the Proposed Share Buy-Back, are of the opinion that the Proposed Share Buy-Back is in the best interests of the Company. Accordingly, your Directors recommend that you vote in favour of the resolutions in relation to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

9. AGM

The Notice convening the AGM to vote on the Ordinary Resolution is set out in the Annual Report 2005. The AGM will be held at Room Pahlawan 6, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on Wednesday, 21 June 2006 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions as set out in the Notice of AGM.

If you are unable to attend and vote in person at the AGM, you should complete, sign and return the Form of Proxy in accordance with the instructions printed therein as soon as possible and which in any event must be deposited at the Registered Office of the Company at 5th Floor, SEGi College, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time fixed for the AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person should you subsequently wish to do so.

Yours faithfully
For and on behalf of the Board of Directors
SEG INTERNATIONAL BHD

DATO' PAHAMIN A. RAJAB
Chairman / Non-Independent Non-Executive Director