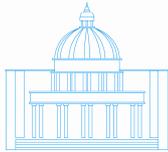


**THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**SEG INTERNATIONAL BHD**

(Incorporated in Malaysia under the Companies Act, 1965)

145998-U

**STATEMENT TO SHAREHOLDERS**

**IN RELATION TO THE**

**PART A**

**PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE BY  
SEG INTERNATIONAL BHD OF ITS OWN ORDINARY SHARES  
 (“SHARE BUY-BACK STATEMENT”)**

**PART B**

**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

The above proposals will be tabled as Special Business at the Company’s Twenty-First Annual General Meeting (“AGM”). The Notice of the 21<sup>st</sup> AGM together with the Form of Proxy are enclosed in the 2006 Annual Report 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 5<sup>th</sup> Floor, SEGi College, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time of the AGM. The lodging of the Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

Date and time of the AGM : Thursday, 21 June 2007 at 10.00 a.m.  
Venue of AGM : SEGi College, Malaysia Main Campus, No. 9, Jalan Teknologi,  
Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling  
Jaya, Selangor

This Statement is dated 30 May 2007



**SEG INTERNATIONAL BHD**

145998-U

(Incorporated in Malaysia under the Companies Act, 1965)

## **PART A: SHARE BUY-BACK STATEMENT**

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### **1. INTRODUCTION**

At the 20<sup>th</sup> AGM of the Company held on 21 June 2006, the Board of Directors of SEG International Bhd (“SEGi” or “the Company”) obtained the approval from the Company’s shareholders for the renewal of authorization for the Company 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 21<sup>st</sup> AGM unless the authority is renewed.

On 24 April 2007, 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 resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM as Special Business. The Notice of AGM together with the Form of Proxy are enclosed in the 2006 Annual Report.

### **2. THE PROPOSED SHARE BUY-BACK**

#### **2.1 The 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 its stockbroker(s) on the Bursa Securities. As at 2 May 2007, the total issued and paid-up share capital 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 the shareholders, if renewed, shall be effective upon the passing of the Ordinary Resolution for the Proposed Share Buy-Back at the 21<sup>st</sup> 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 Source of Funds**

Based on the latest audited financial statements as at 31 December 2006, the retained profits and share premium account of the Company were RM10,439,000 and RM35,876,000 respectively. The Proposed Share Buy-Back, if implemented, will be funded by internally generated funds and/or external borrowings, the proportion of which depends on the quantum of purchase consideration, availability of internally funds and other relevant cost factors.

In the event that 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**

As at 2 May 2007, the public shareholding spread was 48.64%, held by 2,620 public shareholders. The public shareholding spread of the Company is expected to be reduced to 44.88% 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 the purchased shares are from the 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 Malaysian Code on Take-overs and Mergers, 1998 (“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 2 May 2007, 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 Statement.

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 net assets of the Company if all the purchased shares cancelled and the purchase price of its own shares is higher than the consolidated net assets 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, financial position and the resultant impact on its shareholders. The Board will be mindful of the interests of the Company, the Group and the shareholders in implementing the Proposed Share Buy-Back.

#### **2.6 Purchase and resale of SEGi Shares in the last financial year**

During the financial year ended 31 December 2006, the Company bought back a total of 1,854,600 of its own shares for a total consideration of RM1,546,110. These shares are presently held as treasury shares. None of the shares purchased has been resold or cancelled during the financial year. The details of the shares purchased during the year are set out in the Corporate Government Statement contained in the Annual Report.

### **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 earnings per share (“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, net assets, working capital, 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 is set out below:-

	No. of Shares
Existing issued and paid-up share capital as at 2 May 2007*	89,092,755
Proposed Share Buy-Back <sup>^</sup>	(8,909,275)
Resultant share capital	<u>80,183,480</u>

Notes:

\* The issued and paid-up share capital stated above is inclusive of treasury shares held by the Company as at 2 May 2007.

<sup>^</sup> 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 but the rights attached to them in relation to the voting, dividends and participation in other distribution or otherwise will be suspended and the treasury shares shall not be taken into account in calculating the number or percentage of shares in the Company for any purposes including calculation of substantial shareholdings, takeovers, notices, the requisitioning of meetings, calculation of quorum for meetings and the result of vote on resolutions.

##### 4.2 Net Assets (“NA”)

The NA of the Group may increase or decrease depending on 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 NA per share if all the purchased shares are cancelled and the purchase price exceeds the NA per share at the time of purchase. On the contrary, the NA per share will increase when the purchase price is less than the NA per share at the time of purchase.

If the purchased shares are treated as treasury shares and subsequently resold on the Bursa Securities, the NA of the Group will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as share dividends, the NA of the Group will decrease by the cost of the treasury shares.

##### 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.

However, if purchased shares are treated as treasury shares and subsequently resold on the Bursa Securities, the working capital of the Group will increase should the Company realise a gain from the resale. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

#### 4.4 Earnings

The effects of the Proposed Share Buy-Back on the earnings of the Group would depend on the purchase price, the number of shares purchased and the effective funding cost to the Group to finance the shares purchased or any loss in interest income to the Group. 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 EPS of the Group.

In the event that the shares purchased are treated as treasury shares, the extent of the effect on the EPS of the Company will depend on the number and price(s) of treasury shares resold.

#### 4.5 Dividend

The Board has recommended a final dividend of 2 sen gross per share, less income tax at 27%, in respect of the financial year ended 31 December 2006, 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 2007, which would depend on, amongst others, the profitability and cash flow position of the Company.

#### 4.6 Directors' and Substantial Shareholders' Shareholdings

The effect on the shareholding of the Directors and substantial shareholders based on the Registers of Directors and Substantial Shareholders of the Company as at 2 May 2007, assuming that the Proposed Share Buy-Back is carried out in full and the shares purchased are not from the following Directors and substantial shareholders, are as follows:

	<u>Before the Proposed Share Buy-Back</u>				<u>After the Proposed Share Buy-Back</u>			
	<u>Direct</u>		<u>Indirect</u>		<u>Direct</u>		<u>Indirect</u>	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
<b><u>Directors</u></b>								
Dato' Pahamin A. Rajab	656,000	0.76	<sup>1</sup> 15,226,865	17.70	656,000	0.82	<sup>1</sup> 15,226,865	18.99
Dato' (Dr) Patrick Teoh Seng Foo	705,000	0.82	<sup>2</sup> 22,855,025	26.56	705,000	0.88	<sup>2</sup> 22,855,025	28.50
Dato' Clement Hii Chii Kok	945,500	1.10	<sup>2</sup> 22,855,025	26.56	945,500	1.18	<sup>2</sup> 22,855,025	28.50
Lee Kok Cheng	-	-	-	-	-	-	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas	297	Negligible	-	-	297	Negligible	-	-
Datin Fadzilah bte Saad	-	-	<sup>1</sup> 15,226,865	17.70	-	-	<sup>1</sup> 15,226,865	18.99
Amos Siew Boon Yeong	-	-	-	-	-	-	-	-
Simon Hue Fook Chuan	-	-	-	-	-	-	-	-
Abdullah Kamal Shafi'i	10,000	0.01	<sup>3</sup> 18,982,078	22.06	10,000	0.01	<sup>3</sup> 18,982,078	23.67
Tony Foo San Kan	-	-	-	-	-	-	-	-

	<u>Before the Proposed Share Buy-Back</u>				<u>After the Proposed Share Buy-Back</u>			
	Direct		Indirect		Direct		Indirect	
	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
<b><u>Substantial shareholders</u></b>								
EcoFirst Consolidated Bhd (“EcoFirst”)	20,620,025	23.96	<sup>4</sup> 2,235,000	2.60	20,620,025	25.72	<sup>4</sup> 2,235,000	2.79
Koperasi Pegawai-Pegawai Melayu Malaysia Berhad (“MOCCIS”)	15,226,865	17.70	-	-	15,226,865	18.99	-	-
Dato’ (Dr) Patrick Teoh Seng Foo	705,000	0.82	<sup>2</sup> 22,855,025	26.56	705,000	0.88	<sup>2</sup> 22,855,025	28.50
Dato’ Clement Hii Chii Kok	945,500	1.10	<sup>2</sup> 22,855,025	25.56	945,500	1.18	<sup>2</sup> 22,855,025	28.50
Dato’ Pahamin A. Rajab	656,000	0.76	<sup>1</sup> 15,226,865	17.70	656,000	0.82	<sup>1</sup> 15,226,865	18.99
Datin Fadzilah bte Saad	-	-	<sup>1</sup> 15,226,865	17.70	-	-	<sup>1</sup> 15,226,865	18.99
Abdullah Kamal Shafi’i	10,000	0.01	<sup>3</sup> 18,982,078	22.06	10,000	0.01	<sup>3</sup> 18,982,078	23.67

**Notes:**

1. Deemed interest by virtue of shares held by MOCCIS in which the Director is deemed to have an interest.
2. Deemed interest by virtue of his direct and indirect shareholdings in EcoFirst and Sawitani Sdn Bhd.
3. Deemed interest by virtue of shares held by MOCCIS and Ladang MOCCIS Sdn Bhd in which the Director is deemed to have interests.
4. Deemed interest by virtue of shares held by Sawitani Sdn Bhd, a wholly owned subsidiary company of EcoFirst.

**5. 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.

**6. 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.

**7. 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 ordinary resolution in relation to the Proposed Share Buy-Back to be tabled at the forthcoming AGM.

**8. FURTHER INFORMATION**

There is no other information concerning the Proposed Share Buy-Back as shareholders and other professional advisers would reasonably require and expect to find in the Statement for the purpose of making informed assessment as to the merits of approving the Proposed Share Buy-Back and the extent of the risks involved in doing so.

## **PART B: PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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The Articles of Association of the Company are proposed to be amended in the following manner:-

### **1. Article 2**

To delete the following interpretations in the existing Article 2.1 and substitute with the new definitions, as follows:

#### Existing

“Central Depository” means the Malaysian Central Depository Sdn. Bhd.

“Exchange” means the Kuala Lumpur Stock Exchange.

“Member(s)” means any person(s) for the time being holding shares in the Company and whose name(s) is/are entered in the Company’s register of members including depositors whose names appear on the Record of Depositors except the Malaysian Central Depository Nominees Sdn. Bhd.

#### New

**“Central Depository” means Bursa Malaysia Depository Sdn. Bhd.**

**“Exchange” means Bursa Malaysia Securities Berhad.**

**“Member(s)” means any person(s) for the time being holding shares in the Company and whose name(s) is/are entered in the Company’s register of members including depositors whose names appear on the Record of Depositors except Bursa Malaysia Depository Nominees Sdn. Bhd.**

### **2. Article 5**

To delete the existing Articles 5.1 and 5.3 in its entirety, as follows:

5.1 “the total nominal value of preference shares issued shall not exceed the total nominal value of the issued ordinary shares at any time;”

5.3 “the holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up;”

### **3. Article 54**

The existing Article 54 be altered by deleting the words “a date” appear immediately after “... to prepare a Record of Depositors as at **a date** ...” and substituting with “the latest date which is reasonably practicable which shall in any event be” to read as follows:

“The Company shall request the Central Depository in accordance with the Rules, to prepare a Record of Depositors to whom notices of general meetings shall be given by the Company. The Company shall request the Central Depository in accordance with the Rules, to prepare a Record of Depositors as at **the latest date which is reasonably practicable which shall in any event be** not less than 3 market days before the general meeting (hereinafter referred to as “the General Meeting Record of Depositors”). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 (where applicable) and notwithstanding any provision in the Act, a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.”

4. **Article 74.2**

To delete the existing Article 74.2 in its entirety and to adopt the following new Article 74.2:

Existing

Subject to any special rights and restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a show of hands every person present who is a member or a member's representative or proxy or attorney shall have one vote and in the case of a poll every member present in person or by proxy or by attorney or other duly authorized representative shall have one vote for every share held by him. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way.

New

**Subject to any special rights and restrictions as to voting attached to any class or classes of shares by or in accordance with these Articles, on a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares who is personally present or by duly authorized representative or proxy or attorney, and entitled to vote shall be entitled to one vote and in the case of a poll, a holder of ordinary shares or preference shares who is personally present or by proxy or by attorney or other duly authorized representative and entitled to vote shall be entitled to one vote for every share held by him. A person entitled to more than one vote need not use all his votes or cast all the votes he uses on a poll in the same way.**

5. **Article 80**

To amend the title of the existing Article 80 as follows:

Existing title

“Appointment of more than one proxy for authorized nominee company”

New title

“**Appointment of at least one proxy**”.

6. **Article 84**

The existing Article 84 be altered by deleting the last sentence “No one other than a natural person shall be a Director of the Company.” to read as follows:

“Until otherwise determined by the Company in general meeting the number of Directors shall not be less than 2 but in the event of any casual vacancy occurring and reducing the number of Directors below the aforesaid minimum the continuing Directors or Director may act for the purpose of filling up such vacancy or vacancies or of summoning a general meeting of the Company. The Board must have a minimum of 2 Directors or one-third in number, whichever is the higher who are independent directors as defined in the Listing Requirements and if the number of Directors of the Company is not 3 or a multiple of 3, then the number nearest one-third shall be used.”

7. **Article 96**

The existing Articles 96.6 and 96.7 be altered by adding the words “during his term of office” at the end of the articles to read as follows:

96.6 “if he becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder **during his term of office;**”

96.7 “if he becomes bankrupt or makes any arrangement or composition with his creditors generally **during his term of office;** or”