

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Statement to Shareholders ("Statement") prior to its issuance, and hence, takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.



SEG INTERNATIONAL BHD
(Incorporated in Malaysia under the Companies Act, 1965) 145998-U

STATEMENT TO SHAREHOLDERS

IN RELATION TO THE

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

The above proposal will be tabled as Special Business at the Company's Twenty-Third Annual General Meeting ("AGM"). The Notice of the 23rd AGM together with the Form of Proxy are enclosed in the 2008 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 6th Floor, SEGi University College, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling 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 : Wednesday, 24 June 2009 at 10.30 a.m.
Venue of AGM : Level 2, Right Wing, SEGi University College, No. 9, Jalan Teknologi
Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor



SHARE BUY-BACK STATEMENT

1. INTRODUCTION

At the 22nd AGM of the Company held on 25 June 2008, the Board of Directors of SEG International Bhd ("SEGi" or "the Company") obtained the approval from the Company's shareholders for the renewal of authorisation 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 AGM unless the authority is renewed.

On 22 April 2009, 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 Share Buy-Back 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 2008 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 25 May 2009, 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 23rd 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, or unless earlier revoked or varied by an ordinary resolution passed by 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 2008, the retained profits and share premium account of the Company were RM16,201,000 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 not have any material effect on the cash flow of the Company.

2.3 Public Shareholding Spread

As at 25 May 2009, the public shareholding spread was 52.08%, held by 1,986 public shareholders. The public shareholding spread of the Company is expected to be reduced to 50.46% 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 shares purchased are from the public.

The Board is mindful of the requirement that any purchase of the SEGi shares by the Company must not result in the public shareholding spread of the Company falling below 25% of its issued and paid-up share capital.

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 25 May 2009, 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/or 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 SEGi shares purchased are subsequently 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 year ended 31 December 2008, the Company bought back a total of 1,957,300 of its own shares for a total consideration of RM1,301,000. 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 25 May 2009*	89,092,755
Proposed Share Buy-Back [^]	(8,909,275)
<u>Resultant share capital</u>	<u>80,183,480</u>

Notes:

* The issued and paid-up share capital stated above is inclusive of treasury shares of 6,195,600 held by the Company as at 25 May 2009.

[^] 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, 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 the 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 3 sen gross per share, less income tax at 25%, in respect of the year ended 31 December 2008, 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 for the Board in recommending dividends for the year ending 31 December 2009, which would depend on, amongst others, the profitability and cash flow position of the Company.

5.0 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 25 May 2009, 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:

	Before the Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Tan Sri Dato' Seri Megat Najmuddin bin Dato' Seri Dr Haji Megat Khas	297	Negligible	-	-	297	Negligible	-	-
Dato' (Dr) Patrick Teoh Seng Foo	1,314,000	1.59	¹ 20,790,025	25.08	1,314,000	1.64	¹ 20,790,025	25.93
Dato' Clement Hii Chii Kok	708,000	0.85	-	-	708,000	0.88	-	-
Lee Kok Cheng	-	-	-	-	-	-	-	-
Amos Siew Boon Yeong	-	-	-	-	-	-	-	-
Simon Hue Fook Chuan	-	-	-	-	-	-	-	-
Tony Foo San Kan	-	-	-	-	-	-	-	-
Substantial shareholders								
EcoFirst Consolidated Bhd ("EcoFirst")	18,555,025	22.38	² 2,235,000	2.70	18,555,025	23.14	² 2,235,000	2.79
Koperasi Pegawai-Pegawai Melayu Malaysia Berhad ("MOCCIS")	15,226,865	18.37	-	-	15,226,865	18.99	-	-
Dato' (Dr) Patrick Teoh Seng Foo	1,314,000	1.59	¹ 20,790,025	25.08	1,314,000	1.64	¹ 20,790,025	25.93

Notes:

1. Deemed interest by virtue of his direct and indirect shareholdings in EcoFirst and Sawitani Sdn Bhd.
2. Deemed interest by virtue of shares held by Sawitani Sdn Bhd, a wholly owned subsidiary company of EcoFirst.

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

9. FURTHER INFORMATION

There is no other information concerning the Proposed Share Buy-Back as the shareholders and other professional advisers would reasonably require and expect to find in this Share Buy-Back 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.