

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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SEG
International
Bhd

(145998-U)

(Incorporated in Malaysia)

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 Thirty-Second Annual General Meeting ("AGM"). The Notice of the 32nd AGM together with the Form of Proxy are enclosed in the 2017 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, 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, or at any adjournment thereof, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for taking the poll. 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, 6 June 2018 at 10.30 a.m.

Venue of AGM : Level 2, Right Wing, SEGi University
No. 9, Jalan Teknologi, Taman Sains Selangor
Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor

This Share Buy-Back Statement is dated 30 April 2018

1. INTRODUCTION

At the 31st AGM of the Company held on 25 May 2017, 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 shares of the Company (“Mandate”). The Mandate shall expire at the conclusion of the forthcoming AGM unless the authority is renewed.

On 12 April 2018, the Company announced its intention to seek the shareholders’ approval for the renewal of the Mandate for the Company to purchase its own shares on Bursa Securities of such number of shares in the Company representing up to ten percent (10%) of its issued shares 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 the 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 2017 Annual Report.

2. THE PROPOSED SHARE BUY-BACK

2.1 The Proposed Share Buy-Back

The Board of Directors proposes to seek the approval of the shareholders of the Company for the renewal of Mandate for the Proposed Share Buy-Back at any point in time through its stockbroker(s) on the Bursa Securities. As at 23 April 2018, the total issued shares of the Company was 1,264,246,148 ordinary shares (including 26,048,600 SEGi shares already purchased and held as treasury shares).

The Company has a Long Term Incentive Plan (“LTIP”) which comprises the employees’ share option scheme (“ESOS”) and Share Grant Plan for eligible Directors and employees of the Company and its subsidiaries. The total number of ordinary shares in the Company (“SEGi Shares” or “Shares”) which may be made available, issued and/or vested under the LTIP shall not be more than fifteen percent (15%) of the total number of issued shares of the Company, excluding treasury shares, at any one time during the duration of the LTIP. Assuming the Company issues the maximum amount of ESOS options and PSP Grants and all ESOS options are fully exercised, the total number of issued shares of the Company will stand at 1,423,694,241 Shares. Hence, the maximum number of Shares which may be purchased and/or held by the Company is ten percent (10%) of the total number of issued share of SEGi equivalent to 1,449,742,841 SEGi shares (including 26,048,600 SEGi shares already purchased and held as treasury shares).

2.2 Source of Funds

Pursuant to the Main Market Listing Requirements of Bursa Securities, the Proposed Share Buy-Back must be made wholly out of retained profits of the Company. Therefore, the maximum amount of funds to be allocated for the purchase of SEGi Shares under the Proposed Share Buy-Back will be subject to the amount of SEGi’s retained earnings. Based on the latest audited financial statements as at 31 December 2017, the retained profit of the Company was RM2,900,000. 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 generated 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 is not expected to have a material impact on the cash flow of the Company.

2.3 Public Shareholding Spread

As at 23 April 2018, the public shareholding spread was 30.36%. The public shareholding spread of the Company is expected to be reduced to 24.09% assuming the Company implements the Proposed Share Buy-Back in full i.e up to 10% of the issued shares of the Company.

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, 2016 (“the Code”)

The Proposed Share Buy-Back may result in any director(s), substantial shareholder(s) and/or parties acting in concert triggering a mandatory general offer obligation. In the event the Proposed Share Buy-Back results in any director(s), substantial shareholder(s) and/or parties acting in concert with him/them triggering a mandatory offer obligation under the Code, the affected director(s) or substantial shareholder(s) will be obliged to make a mandatory offer for the remaining SEGi Shares not held by him/them. The Board is mindful of the provision under the Code.

2.5 Potential Advantages and Disadvantages of the Proposed Share Buy-Back

2.5.1 Potential Advantages

The potential advantages of the Proposed Share Buy-Back are as follows:

- (i) The Mandate would enable the Company to utilise its financial resources more efficiently especially where there are no immediate uses. If the SEGi Shares purchased are subsequently cancelled, this may strengthen the consolidated earnings per share (“EPS”) of the Group as indicated below.
- (ii) The Mandate will also provide the Company with opportunities for potential gains if the purchased SEGi Shares which are retained as treasury shares are resold at prices higher than their cost of purchase.
- (iii) In any event, the treasury share may also be distributed as share dividends to shareholders as a reward.
- (iv) The Proposed Share Buy-Back may also stabilise the supply and demand of SEGi Shares traded on Bursa Securities and reduce the volatility of its share prices. The stability of SEGi Share price is important to maintain investors’ confidence and may also assist in facilitating future fund raising via the equity market.

2.5.2 Potential Disadvantages

The potential disadvantages of the Proposed Share Buy-Back are as follows:

- (i) The Proposed Share Buy-Back will reduce the financial resources of the Company. This may result in the Company foregoing other investment opportunities that may emerge in the future or, at least, deprive the Company’s interest income that can be derived from funds utilised for the Proposed Share Buy-Back.
- (ii) As the Proposed Share Buy-Back can only be made out of the retained profits of the Company, it may reduce the reserves available for distribution to the shareholders of the Company in the immediate future. However, the reserves of the Company may be recovered and increased upon the selling of the purchased shares held as treasury shares.
- (iii) 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 disadvantage to the Company and its shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact. 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, resale and/or cancellation of SEGi shares in the last financial year

The Company had not purchased, resold or cancelled any shares in the preceding twelve (12) months.

As at 31 December 2017, the total treasury shares held by the Company was 26,048,600 shares.

3. SHARE PRICE

The monthly highest and lowest prices of SEGi shares traded on Bursa Securities for the past twelve (12) months up to 23 April 2018 are as follows:-

Month		High (RM)	Low (RM)
2017	April	1.280	1.070
	May	1.320	1.200
	June*	1.230	0.690
	July	0.700	0.665
	August	0.695	0.640
	September	0.680	0.650
	October	0.675	0.645
	November	0.665	0.630
	December	0.710	0.635
2018	January	0.685	0.635
	February	0.660	0.630
	March	0.660	0.630
	Up to 23 April	0.650	0.630

* On 22 June 2017, the share price was adjusted accordingly for the bonus issue of five (5) bonus shares for every seven (7) existing SEGi Shares held as at 5.00 p.m. on 28 June 2017.

The last transacted price of SEGi shares on 23 April 2018, being the latest practicable date prior to the printing of this Circular, was RM0.645.

(Source: The Star)

4. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources which is not immediately required for other uses to purchase its own shares from the market. 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.

5. 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:-

5.1 Share Capital

The effects of any purchase of the Company's own SEGi Shares will depend on whether the SEGi Shares so purchased are cancelled or retained as treasury shares.

The Proposed Share Buy-Back will not have any effect on the issued shares if all the SEGi Shares purchased are to be retained as treasury shares, re-sold or distributed to our shareholders.

The Proposed Share Buy-Back will however, result in the reduction of the issued shares if the SEGi Shares so purchased are cancelled. The proforma effects of the Proposed Share Buy-Back based on the issued shares as at 23 April 2018 and assuming the SEGi Shares so purchased are cancelled are set out below:

Scenario I : Assuming that no additional vesting of PSP Grants or no exercise of ESOS options under the LTIP after 23 April 2018

Scenario II : Assuming full vesting/exercise of PSP Grants/ESOS options under the LTIP

	Scenario I	Scenario II
	No. of shares	No. of shares
Existing issued shares as at 23 April 2018	1,264, 246,148	1,264, 246,148
Full vesting/exercise of PSP Grants/ESOS options under the LTIP	-	185,496,693
Enlarged issued share capital	<u>1,264, 246,148</u>	<u>1,449,742,841</u>
Treasury shares as at 23 April 2018	(26,048,600)	(26,048,600)
If maximum number of shares are purchased pursuant to the Proposed Share Buy-Back	(100,376,014)	(118,925,684)
Issued shares as diminished, if the treasury shares are cancelled	1,137,821,534	1,304,768,557

5.2 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.

5.3 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.

5.4 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.

5.5 Dividend

The Proposed Share Buy-Back is not expected to have any effect on the policy for the Board in recommending dividends for the year ending 31 December 2017. The decision to declare and pay dividends in the future would depend on, amongst others, the profitability and cash flow position of the Company. The treasury shares may also be distributed as dividends to the shareholders, if the Company so decides.

5.6 Directors’ and Substantial Shareholders’ Shareholdings

The proforma effects on the shareholding of the Directors and substantial shareholders based on the Registers of Directors and Substantial Shareholders of the Company as at 20 April 2018, 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:

Scenario I : Assuming that no additional vesting of PSP Grants or no exercise of ESOS options under the LTIP after 23 April 2018

	<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>
<u>Directors</u>								
Tan Sri Clement Hii Chii Kok	396,694,479	32.04	##459,565,035	37.12	396,694,479	34.86	##459,565,035	40.39
Nicholas Rupert Heylett Bloy	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Hew Moi Lan	885,780	0.07	-	-	885,780	0.07	-	-
Dato' Amos Siew Boon Yeong	3,771,428	0.30	-	-	3,771,428	0.33	-	-
Tan Sri Dato' Seri Megat Najmuddin bin Dato' Seri Dr Haji Megat Khas	67,991	0.01	-	-	67,991	0.01	-	-
Datuk Mohamed Azahari bin Mohamed Kamil	-	-	-	-	-	-	-	-
Dato Goh Leng Chua	-	-	-	-	-	-	-	-
Edwin Fua Chye Jin	-	-	-	-	-	-	-	-
	<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>
<u>Substantial shareholders</u>								
Tan Sri Clement Hii Chii Kok	396,694,479	32.04	##459,565,035	37.12	396,694,479	34.86	##459,565,035	40.39
Pinnacle Heritage Solutions Sdn Bhd	459,565,035	37.12	*396,694,479	32.04	459,565,035	40.39	*396,694,479	34.86
SmartUni 1 Ltd	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Navis Asia Fund VI G.P., Ltd	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Navis Capital Partners Limited	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Richard Elletson Foyston	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Nicholas Rupert Heylett Bloy	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
Rodney Chadwick Muse	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
HAL Investments (Asia) Ltd	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
HAL Holding N.V.	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25
HAL Trust	-	-	##856,259,514	69.15	-	-	##856,259,514	75.25

Scenario II : Assuming full vesting/exercise of PSP Grants/ESOS options under the LTIP

	<u>Before the Proposed Share Buy-Back</u>				<u>Proforma I: Assuming full vesting/ exercise of PSP Grants/ESOS options under the LTIP</u>				<u>After Proforma I and Proposed Share Buy-Back</u>			
	<u>Direct</u>		<u>Indirect</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>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
<u>Directors</u>												
Tan Sri Clement Hii Chii Kok	396,694,479	32.04	##459,565,035	37.12	396,694,479	27.86	##459,565,035	32.28	396,694,479	30.40	##459,565,035	35.22
Nicholas Rupert Heylett Bloy	-	-	##856,259,514	69.15	-	-	##856,259,514	60.14	-	-	##856,259,514	65.63
Hew Moi Lan	885,780	0.07	-	-	2,378,058	0.17	-	-	2,378,058	0.18	-	-
Dato' Amos Siew Boon Yeong	3,771,428	0.30	-	-	3,771,428	0.26	-	-	3,771,428	0.29	-	-
Tan Sri Dato' Seri Megat Najmuddin bin Dato' Seri Dr Haji Megat Khas	67,991	0.01	-	-	67,991	0.00	-	-	67,991	0.01	-	-
Datuk Mohamed Azahari bin Mohamed Kamil	-	-	-	-	-	-	-	-	-	-	-	-
Dato Goh Leng Chua	-	-	-	-	-	-	-	-	-	-	-	-
Edwn Fua Chye Jin	-	-	-	-	-	-	-	-	-	-	-	-

	<u>Before the Proposed Share Buy-Back</u>				<u>Proforma I: Assuming full vesting/ exercise of PSP Grants/ESOS options under the LTIP</u>				<u>After Proforma I and Proposed Share Buy-Back</u>			
	<u>Direct</u>		<u>Indirect</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>	<u>No. of Shares</u>	<u>%</u>	<u>No. of Shares</u>	<u>%</u>
Substantial shareholders												
Tan Sri Clement Hii Chii Kok	396,694,479	32.04	^{##} 459,565,035	37.12	396,694,479	27.86	^{##} 459,565,035	32.28	396,694,479	30.40	^{##} 459,565,035	35.22
Pinnacle Heritage Solutions Sdn Bhd	459,565,035	37.12	[*] 396,694,479	32.04	459,565,035	32.28	[*] 396,694,479	27.86	459,565,035	35.22	[*] 396,694,479	30.40
SmartUni 1 Ltd	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
Navis Asia Fund VI G.P., Ltd	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
Navis Capital Partners Limited	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
Richard Elletson Foyston	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
Nicholas Rupert Heylett Bloy	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
Rodney Chadwick Muse	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
HAL Investments (Asia) Ltd	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
HAL Holding N.V.	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63
HAL Trust	-	-	^{##} 856,259,514	69.15	-	-	^{##} 856,259,514	60.14	-	-	^{##} 856,259,514	65.63

Notes:

^{##} Deemed interest by virtue of the Director/company is deemed to have an interest in Pinnacle Heritage Solutions Sdn Bhd.

^{*} Deemed interest by virtue of the company is deemed to have an interest in Tan Sri Clement Hii Chii Kok's shareholding.

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 MAJOR SHAREHOLDERS' INTERESTS

Save for the inadvertent proportionate increase in the percentage shareholdings and/or voting rights of the shareholders as a consequence of the implementation of the Proposed Share Buy-Back, none of the Directors or major shareholders or persons 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. OTHER INFORMATION

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

FURTHER INFORMATION**1. Responsibility statement**

This Share Buy-Back Statement has been seen and approved by the Board of Directors of SEGi. The Directors, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which, would make any information herein misleading.

2. Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of SEGi at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan from the date of this Share Buy-Back Statement up to and including the date of the AGM:

- (a) Memorandum and Articles of Association (Constitution) of SEGi; and
- (b) Audited financial statements of SEGi for the past two (2) financial years ended 31 December 2016 and 2017.