

**THIS STATEMENT/CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the Part A of this document prior to its issuance.

Bursa Securities takes no responsibility for the contents of this Statement/Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from your reliance on the whole or any part of the contents of this Statement/Circular. You should rely on your own evaluation to assess the proposals as set out in this Statement/Circular.

# Scomi

**SCOMI ENGINEERING BHD**

*(Company No: 111633-M)*

*(Incorporated in Malaysia under the Companies Act, 1965)*

**PART A STATEMENT TO SHAREHOLDERS IN RELATION TO PROPOSED RENEWAL OF AUTHORITY FOR SCOMI ENGINEERING BHD TO PURCHASE UP TO 10% OF ITS ISSUED AND PAID-UP SHARE CAPITAL PURSUANT TO SECTION 67A OF THE COMPANIES ACT, 1965 (To be read together with the Ordinary Resolution 6 in the Notice of Annual General Meeting as set out in the Annual Report 2010)**

**PART B CIRCULAR TO SHAREHOLDERS IN RELATION TO PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (To be read together with Ordinary Resolution 7 in the Notice of AGM as set out in our Annual Report 2010)**

Our 27<sup>th</sup> Annual General Meeting (“AGM”) will be held as follows: -

Date and time of AGM : Tuesday, 28 June 2011 at 10.00 a.m. or any adjournment thereof

Place of AGM : Ballroom 3, 1<sup>st</sup> Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur

The Notice of AGM together with the Form of Proxy for the AGM is set out in the Annual Report 2010 of the Company.

If you are entitled to attend and vote at the AGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must deposit the Form of Proxy for the AGM with the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd, at Level 6 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya by 10.00 a.m. on Sunday, 26 June 2011 or, in the event that the AGM is adjourned, no less than forty-eight (48) hours before the adjourned AGM. However, you may still attend and vote in person at the AGM even if you have already lodged the Form of Proxy for the AGM.

This Statement and Circular is dated 3 June 2011

**PART A**

**PROPOSED RENEWAL OF AUTHORITY FOR SCOMI ENGINEERING BHD TO PURCHASE UP TO 10% OF ITS ISSUED AND PAID-UP SHARE CAPITAL PURSUANT TO SECTION 67A OF THE COMPANIES ACT, 1965**

## DEFINITIONS

---

Except where the context otherwise indicates, the following definitions shall apply throughout this Statement:

“Act”	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“ARMC”	:	Audit Risk and Management Committee
“Board”	:	Board of Directors
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (635998-W)
“Code”	:	Malaysian Code on Take-Overs and Mergers 1998 and any amendments thereof
“Dato Kamal”	:	Dato’ Kamaluddin Bin Abdullah
“Director”	:	Shall have the meaning given in Section 2 of the Capital Markets and Service Act 2007 and/or Section 4 of the Act and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon, a Director of the Company or any other company which is its subsidiary or holding company or a chief executive officer of the Company, its subsidiary or holding company
“EPS”	:	Earnings per share
“ESOS”	:	Employees’ Share Option Scheme
“ICULS”	:	Irredeemable Convertible Unsecured Loan Stocks
“Kaspadu”	:	Kaspadu Sdn Bhd (259131-V)
“Listing Requirements”	:	The Main Market Listing Requirements of Bursa Securities including any amendments made in respect thereof from time to time
“Maximum Scenario”	:	Based on the assumption that all the Outstanding ESOS Options and Outstanding ICULS are fully exercised
“Minimum Scenario”	:	Based on the assumption that none of the Outstanding ESOS Options and Outstanding ICULS are exercised
“NA”	:	Net assets
“Outstanding ESOS Options”	:	16,846,000 outstanding options granted under the ESOS as at 29 April 2011
“Outstanding ICULS”	:	56,088,749 of outstanding 3 year 4% ICULS 2010/2013 as at 29 April 2011
“Proposed Renewal of Authority for Share Buy-Back”	:	Proposed renewal of authority for SEB to carry out the Proposed Share Buy-Back
“Proposed Share Buy-Back”	:	Proposed purchase of up to ten percent (10%) of SEB’s issued and paid-up share capital pursuant to Section 67A of the Act

## DEFINITIONS (Cont'd)

---

“Purchased Shares”	:	Shares purchased pursuant to the Proposed Share Buy-Back
“RM”	:	Ringgit Malaysia
“SEB” or “Company”	:	Scomi Engineering Bhd (111633-M)
“SEB Group” or “Group”	:	SEB and its subsidiaries, collectively
“SEB Share(s)” or “Share(s)”	:	Ordinary share(s) of RM1.00 each in SEB
“SGB”	:	Scomi Group Bhd (571212-A)
“Shah Hakim”	:	Shah Hakim @ Shahzanim bin Zain
“Share Buy-Back Mandate”	:	Mandate granted by shareholders at the AGM held on 28 June 2010
“Substantial Shareholder”	:	A person who has an interest or interests in one or more voting shares in the Company and the nominal amount of that share or the aggregate of the nominal amounts of those shares, is:  (a) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the Company; or  (b) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company  Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer as defined above or any other corporation which is its subsidiary or holding company.  For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Act.

Any references to “our Company” or “SEB” in this Statement are to Scomi Engineering Bhd, references to “our Group” are to our Company and its subsidiaries and references to “we”, “us”, “our” and “ourselves” are to our Company, and save where the context otherwise requires, and its subsidiaries.

**CONTENTS**

**PAGE**

**PART A**

**PROPOSED RENEWAL OF AUTHORITY FOR SCOMI ENGINEERING BHD TO PURCHASE UP TO 10% OF ITS ISSUED AND PAID-UP SHARE CAPITAL:**

1.	INTRODUCTION.....	1
2.	DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK .....	1
3.	SOURCE OF FUNDS.....	2
4.	SHAREHOLDINGS OF OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM.....	3
5.	RATIONALE FOR THE PROPOSED SHARE BUY-BACK.....	7
6.	RISK ASSESSMENT OF THE PROPOSED SHARE BUY-BACK.....	7
7.	EFFECTS OF THE PROPOSED SHARE BUY-BACK.....	7
8.	PUBLIC SHAREHOLDING SPREAD.....	9
9.	IMPLICATIONS RELATING TO THE CODE.....	9
10.	DIRECTORS' RECOMMENDATION.....	9

# Scomi

## SCOMI ENGINEERING BHD

(Company No: 111633-M)

(Incorporated in Malaysia under the Companies Act, 1965)

### **PROPOSED RENEWAL OF AUTHORITY FOR SCOMI ENGINEERING BHD TO PURCHASE UP TO 10% OF ITS ISSUED AND PAID-UP SHARE CAPITAL PURSUANT TO SECTION 67A OF THE COMPANIES ACT, 1965**

#### **1. INTRODUCTION**

- 1.1 On 5 May 2011, we announced our intention to seek a renewal of an existing authority from our shareholders to purchase up to ten percent (10%) of our issued and paid-up share capital through Bursa Securities.
- 1.2 The purpose of this Statement is to provide you with the details of the Proposed Renewal of Authority for Share Buy-Back and to seek your approval for the resolution relating to the said proposal to be tabled at our forthcoming AGM. The Ordinary Resolution pertaining to the Proposed Renewal of Authority for Share Buy-Back is set out as Special Business in the Notice of AGM contained in the Annual Report 2010 of the Company, which was sent to you together with this Statement.

**YOU ARE ADVISED TO READ THIS STATEMENT AND CONSIDER THE CONTENTS OF THIS STATEMENT CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK.**

#### **2. DETAILS OF THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

- 2.1 At our AGM held on 28 June 2010, we obtained the renewal of authority from our shareholders to undertake the purchase of up to ten percent (10%) of our issued and paid-up share capital at the time of purchase through Bursa Securities.
- 2.2 In accordance with para 12.07(3) of the Listing Requirements, the authority obtained by our Board for the purchase of our own Shares may only continue to be in force until:
- (i) The conclusion of the first AGM of the listed corporation following the general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
  - (iii) revoked or varied by ordinary resolution passed by our shareholders in a general meeting,
- whichever occurs first.
- 2.3 Accordingly, in view of the expiry of the abovementioned approval of our shareholders at the conclusion of our forthcoming AGM which will be held on Tuesday, 28 June 2011 at 10.00 a.m., our Board proposes to seek your approval for the Proposed Renewal of Authority for Share Buy-Back at our forthcoming AGM.

## 2.4 Maximum Number of Shares to be Acquired Pursuant to the Proposed Share Buy-Back

As at 29 April 2011, our total issued and paid-up share capital is RM285,870,224 comprising 285,870,224 Shares (excluding 121,800 Shares previously purchased by the Company pursuant to the Share Buy-Back Mandate and currently retained as treasury shares). In addition, as at 29 April 2011, the total outstanding ESOS Options and ICULS is 16,846,000 ESOS Options and 56,088,749 ICULS respectively. Hence, strictly for illustrative purposes only, in the event that the Proposed Renewal of Authority for Share Buy-Back is approved by our shareholders, the maximum number of Shares that we may acquire pursuant to the Proposed Renewal of Authority for Share Buy-Back based on the Minimum Scenario and Maximum Scenario is 28,587,022 Shares and 35,880,497 Shares respectively.

The Proposed Share Buy-Back will be subject to compliance with Section 67A of the Act and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities.

## 3. SOURCE OF FUNDS

- 3.1 Pursuant to the Listing Requirements, the funding for our purchase of our Company's Shares shall be limited to the amount equivalent to the aggregate of the Company's retained profits and/or share premium and may either be undertaken with internally generated funds and/or borrowings. Accordingly, our Board proposes to allocate an amount of funds which will not exceed the aggregate sum of the retained earnings and share premium of our Company in respect of any purchase of our own Shares pursuant to the Proposed Share Buy-Back.
- 3.2 Based on our latest audited accounts as at 31 December 2010, our Company's accumulated losses and share premium were RM5.48 million and RM46.61 million respectively. Based on our latest unaudited accounts as at 31 March 2011, our Company's accumulated losses and share premium were RM9.77 million and RM46.61 million respectively.
- 3.3 We will fund the Proposed Share Buy-Back from internally generated funds and/or borrowings. If we purchase our own Shares using external borrowings, our Board will ensure that we have sufficient funds to repay the external borrowings and that the said repayments will not have a material effect on our cash flow.
- 3.4 The actual number of Shares to be purchased, the total amount of funds to be utilised, impact on cash flow and the timing of the purchase(s) will depend on the prevailing equity market conditions and sentiments as well as the financial resources available to us at the time of the purchase(s).
- 3.5 Please refer to the "Share Buy-Back" section on page 50 of our Annual Report 2010 for further details of the purchases made by our Company of our own Shares during the last financial year ended 31 December 2010.

[The rest of this page is intentionally left blank.]

#### 4. SHAREHOLDINGS OF OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Based on the Register of Substantial Shareholders and Directors' Shareholdings as at 29 April 2011, being the latest practicable date prior to the printing of this Statement, the direct and indirect shareholdings of our Directors and Substantial Shareholders and persons connected to them before and after the Proposed Share Buy-Back, assuming all Shares purchased are cancelled, are as follows:

##### 4.1 Minimum Scenario

###### Directors

	<----- Existing as at 29 April 2011----->				<----- After the Proposed Share Buy-Back ----->			
	<-----Direct Interest----->		<-----Indirect Interest----->		<-----Direct Interest----->		<-----Indirect Interest----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Zainun Aishah binti Ahmad	250,000	0.09	-	-	250,000	0.10	-	-
Dato' Abdul Rahim bin Abu Bakar	219,700	0.08	-	-	219,700	0.09	-	-
Edlin bin Ghazaly	300,000	0.10	-	-	300,000	0.12	-	-
Fad'l bin Mohamed	60,000	0.02	-	-	60,000	0.02	-	-
Abdul Hamid bin Sheikh Mohamed	-	-	-	-	-	-	-	-
Shah Hakim	500,000	0.17	<sup>^</sup> 192,567,567	67.36	500,000	0.19	<sup>^</sup> 192,567,567	74.85
No. of Shares in issue	<u>@285,870,224</u>		<u>@285,870,224</u>		<u>@257,283,202</u>		<u>@257,283,202</u>	

###### *Notes:*

@ Excluding 121,800 Shares previously purchased by the Company pursuant to the Share Buy-Back Mandate, and currently retained as treasury shares.

<sup>^</sup> Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu, which in turn is deemed interested in SGB. SEB is a 67.36% owned subsidiary of SGB as at 29 April 2011.



## Substantial Shareholders

	Existing as at 29 April 2011				After the Proposed Share Buy-Back			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
SGB	192,567,567	67.36	-	-	192,567,567	74.85	-	-
Kaspadu	-	-	<sup>(1)</sup> 192,567,567	67.36	-	-	<sup>(1)</sup> 192,567,567	74.85
Shah Hakim	500,000	0.17	<sup>(2)</sup> 192,567,567	67.36	500,000	0.19	<sup>(2)</sup> 192,567,567	74.85
Dato' Kamal	-	-	<sup>(2)</sup> 192,567,567	67.36	-	-	<sup>(2)</sup> 192,567,567	74.85
No. of Shares in issue	@285,870,224		@285,870,224		@257,283,202		@257,283,202	

### **Notes:**

@ Excluding 121,800 Shares previously purchased by the Company pursuant to the Share Buy-Back Mandate, and currently retained as treasury shares.

<sup>(1)</sup> Deemed interested by virtue of Section 6A(4) of the Act, 1965 through its interest in SGB, which in turn is deemed interested in SEB.

<sup>(2)</sup> Deemed interested by virtue of Section 6A(4) of the Act, 1965 through his shareholding in Kaspadu, which in turn is deemed interested in SGB.

## 4.2 Maximum Scenario

### Directors

	<----- Existing as at 29 April 2011----->				<--- Assuming full exercise of Outstanding ESOS Options --->				<-----After I and assuming full exercise of Outstanding ICULS----->				<-----After II and Proposed Share Buy-Back----->			
	<--Direct Interest-->		<--Indirect Interest-->		<----Direct Interest----->		<---Indirect Interest--->		<----Direct Interest----->		<---Indirect Interest--->		<----Direct Interest----->		<---Indirect Interest--->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Zainun Aishah binti Ahmad	250,000	0.09	-	-	750,000	0.25	-	-	750,000	0.21	-	-	750,000	0.23	-	-
Dato' Abdul Rahim bin Abu Bakar	219,700	0.08	-	-	519,700	0.17	-	-	519,700	0.14	-	-	519,700	0.16	-	-
Edlin bin Ghazaly	300,000	0.10	-	-	600,000	0.20	-	-	600,000	0.17	-	-	600,000	0.19	-	-
Fad'l bin Mohamed	60,000	0.02	-	-	420,000	0.14	-	-	420,000	0.12	-	-	420,000	0.13	-	-
Abdul Hamid bin Sheikh Mohamed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shah Hakim	500,000	0.17	<sup>^</sup> 192,567,567	67.36	2,000,000	0.66	<sup>^</sup> 192,567,567	63.61	2,000,000	0.56	<sup>^</sup> 247,350,058	68.94	2,000,000	0.62	247,350,058	76.60
No. of Shares in issue	<u>@285,870,224</u>		<u>@285,870,224</u>		<u>@302,716,224</u>		<u>@302,716,224</u>		<u>@358,804,973</u>		<u>@358,804,973</u>		<u>@322,924,476</u>		<u>@322,924,476</u>	

@ Excluding 121,800 Shares previously purchased by the Company pursuant to the Share Buy-Back Mandate, and currently retained as treasury shares.

<sup>^</sup> Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu, which in turn is deemed interested in SGB. SEB is a 67.36% owned subsidiary of SGB as at 29 April 2011.

## Substantial Shareholders

	I				II				III							
	<----- Existing as at 29 April 2011----->				<-- Assuming full exercise of Outstanding ESOS Options -->				<-- After I and assuming full exercise of Outstanding ICULS -->				<---- After II and Proposed Share Buy-Back---->			
	<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->	
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	
SGB	192,567,567	67.36	-	-	192,567,567	63.61	-	-	247,350,058	68.94	-	-	247,350,058	76.60	-	-
Kaspadu	-	-	<sup>(1)</sup> 192,567,567	67.36	-	-	<sup>(1)</sup> 192,567,567	63.61	-	-	<sup>(1)</sup> 247,350,058	68.94	-	-	<sup>(1)</sup> 247,350,058	76.60
Shah Hakim	500,000	0.17	<sup>(2)</sup> 192,567,567	67.36	2,000,000	0.66	<sup>(2)</sup> 192,567,567	63.61	2,000,000	0.56	<sup>(2)</sup> 247,350,058	68.94	2,000,000	0.62	<sup>(2)</sup> 247,350,058	76.60
Dato' Kamal	-	-	<sup>(2)</sup> 192,567,567	67.36	-	-	<sup>(2)</sup> 192,567,567	63.61	-	-	<sup>(2)</sup> 247,350,058	68.94	-	-	<sup>(2)</sup> 247,350,058	76.60
No. of Shares in issue	@285,870,224		@285,870,224		@302,716,224		@302,716,224		@358,804,973		@358,804,973		@322,924,476		@322,924,476	

### Notes:

@ Excluding 121,800 Shares previously purchased by the Company pursuant to the Share Buy-Back Mandate, and currently retained as treasury shares.

<sup>(1)</sup> Deemed interested by virtue of Section 6A(4) of the Act, 1965 through its interest in SGB, which in turn is deemed interested in SEB.

<sup>(2)</sup> Deemed interested by virtue of Section 6A(4) of the Act, 1965 through his shareholding in Kaspadu, which in turn is deemed interested in SGB. SEB is a 67.36% owned subsidiary of SGB as at 29 April 2011.

Save for the proportionate increase in the percentage shareholdings of our Substantial Shareholders and Directors, none of our Directors, Substantial Shareholders and persons connected to them has any interest, direct or indirect, in the Proposed Renewal of Authority for Share Buy-Back.

## **5. RATIONALE FOR THE PROPOSED SHARE BUY-BACK**

The Proposed Share Buy-Back, if implemented, is expected to benefit our Company in the following manner:

- (i) the Proposed Share Buy-Back would provide us with an additional option of utilising our surplus financial resources (which are not immediately required for other uses) to purchase our Shares at prices which are favourable;
- (ii) the Proposed Share Buy-Back may stabilise the supply and demand of SEB Shares as well as the market price of SEB Shares;
- (iii) if the Purchased Shares are held as treasury shares, the Company may have the opportunity to realise a potential gain if these are resold on Bursa Securities at a higher price than the purchase price;
- (iv) Purchased Shares which are retained as treasury shares may also be distributed as share dividends to reward our shareholders; and
- (v) all things being equal, the Proposed Share Buy-Back will result in a lower number of Shares being used for the purpose of computing EPS, if the Purchased Shares are subsequently cancelled or during the period, such Shares are held as treasury shares. Therefore, the Proposed Share Buy-Back will improve our EPS, which in turn is expected to have a positive impact on the fundamental value of our Shares.

## **6. RISK ASSESSMENT OF THE PROPOSED SHARE BUY-BACK**

- 6.1 The Proposed Share Buy-back, if implemented, would reduce the financial resources of our Group. This may result in our Group having to forego future investment opportunities and/or any interest income that may be derived from the deposit of such funds in interest bearing instruments.
- 6.2 On the other hand, the financial resources of our Group may increase pursuant to the resale of the Purchase Shares (held as treasury shares) at prices higher than the purchase price.
- 6.3 In this regard, our Board will be mindful of the interests of our Group and our shareholders in carrying out the Proposed Share Buy-Back and any subsequent resale of the treasury shares on Bursa Securities, if any.

## **7. EFFECTS OF THE PROPOSED SHARE BUY-BACK**

### **7.1 Share Capital**

The effect of the Proposed Share Buy-Back on our issued and paid-up share capital will depend on whether the Purchased Shares are cancelled or retained as treasury shares. In the event the Proposed Share Buy-Back is carried out in full and the Purchased Shares are cancelled, our issued and paid-up share capital will be reduced by the number of Purchased Shares so cancelled.

If the Purchased Shares are retained as treasury shares, resold or distributed to our shareholders, the Proposed Renewal of Authority for Share Buy-Back will not have any effect on our issued and paid-up share capital.

Strictly for illustrative purposes only, based on the assumption that the Shares purchased pursuant to the Proposed Share Buy-Back are cancelled, the effects of the Proposed Share Buy-Back based on the Minimum Scenario and Maximum Scenario are as follows:

	<-----No. of Shares----->	
	Minimum Scenario	Maximum Scenario
Existing issued and paid-up share capital as at 29 April 2011 <sup>(1)</sup>	285,870,224	285,870,224
Assuming full exercise of Outstanding ESOS Options	-	16,846,000
After full exercise of Outstanding ESOS Options	285,870,224	302,716,224
Assuming full exercise of Outstanding ICULS	-	56,088,749
After full exercise of Outstanding ESOS Options and ICULS	285,870,224	358,804,973
After Proposed Share Buy-Back <sup>(2)</sup>	(28,587,022)	(35,880,497)
Enlarged issued and paid-up share capital	<u>257,283,202</u>	<u>322,924,476</u>

**Notes:**

<sup>(1)</sup> Excluding 121,800 Shares already purchased by the Company pursuant to the Share Buy-Back Mandate, and currently retained as treasury shares.

<sup>(2)</sup> Assuming that the total number of Shares purchased pursuant to the Proposed Share Buy-Back is based on the maximum number allowed comprising ten percent (10%) of our total issued and paid-up share capital under the respective scenarios and all the Shares purchased are cancelled.

## 7.2 NA

If the Shares are cancelled, it will reduce the NA per share of the Group if the cost per Share purchased exceeds the NA per share of the Group at the relevant point in time and will increase the NA per share of the Group if the cost per Share purchased is below the NA per share of the Group at the relevant point in time.

For Purchased Shares which are treated as treasury shares, upon its resale, the NA per share of the Group will increase if we realise a gain from the resale. The quantum of the increase in NA of the Group will depend on the actual selling price of the treasury shares and the number of the treasury shares resold. If the treasury shares are distributed as share dividends, the NA per share of the Group will decrease.

## 7.3 Working Capital

The Proposed Share Buy-Back will reduce our working capital, the quantum of which depends on the purchase prices of the Purchased Shares and the number of Purchased Shares and the effective funding cost or any loss in interest income to us. The cashflow of the Company and Group will be reduced relative to the number of Purchased Shares and the purchase prices of the Purchased Shares.

For Purchased Shares which are kept as treasury shares, upon its resale, our working capital will increase. Again, the quantum of the increase will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

## 7.4 Earnings

All things being equal, whether the Purchased Shares are kept as treasury shares or cancelled, the Proposed Share Buy-Back will result in a lower number of Shares being used for the purpose of computing our EPS, hence increasing our EPS. The extent of the effect of the Proposed Share Buy-Back on our EPS is dependent on the number of Purchased Shares and the effective funding cost or loss in interest income to us or the opportunity cost in relation to other investment opportunities.

## **7.5 Dividends**

The Proposed Share Buy-Back is not expected to have any material impact on the policy of our Board in recommending dividends to our shareholders.

Notwithstanding that, if the Purchased Shares are retained as treasury shares, the dividend rate will increase with the suspension of the rights attaching to the treasury shares held in respect of dividend entitlement. Moreover, the treasury shares so purchased may be distributed as dividends to our shareholders if we so decide.

## **8. PUBLIC SHAREHOLDING SPREAD**

According to our Record of Depositors and Register of Substantial Shareholders as at 29 April 2011, our public shareholding spread is 32.16%. Our Board will be mindful in ensuring that the public shareholding spread requirement of twenty five percent (25%) of our issued and paid-up share capital held by at least 1,000 public shareholders holding not less than 100 Shares each, is complied at all times and will not carry out the Proposed Share Buy-Back if it will result in our public shareholding spread not being met.

## **9. IMPLICATIONS RELATING TO THE CODE**

9.1 Pursuant to Part II of the Code, in the event that any of our shareholders, together with parties acting in concert with them (if any) who collectively hold:

- (a) less than thirty three percent (33%) of our issued and paid-up share capital, increase their shareholdings to more than thirty-three percent (33%); or
- (b) more than thirty three percent (33%) but less than fifty percent (50%) of our issued and paid-up share capital, increases his/her shareholding by two percent (2%) within a six (6) month period,

the affected shareholder and parties acting in concert with him/her would be obliged to undertake a mandatory offer for the remaining Shares not held by them.

9.2 As illustrated in Section 4 of this Statement, in the event the Proposed Share Buy-Back is implemented in full within a period of six (6) months and the SEB Shares purchased are from public shareholders, the shareholdings of SGB, Kaspadu, Shah Hakim and Dato' Kamal in SEB will increase by more than two percent (2%). However, pursuant to Practice Note 2.9.10 of the Code, the aforementioned shareholders may apply for an exemption from the obligation of having to undertake a general offer arising from the purchase of the Company's own shares.

## **10. DIRECTORS' RECOMMENDATION**

Our Board, after careful deliberation and having considered all aspects of the Proposed Renewal of Authority for Share Buy-Back, is of the opinion that the Proposed Renewal of Authority for Share Buy-Back is in our best interest.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Renewal of Authority for Share Buy-Back which will be tabled at our forthcoming AGM.