

Type : Announcement

Subject : SEG INTERNATIONAL BERHAD (“SEGi” OR THE “COMPANY”)

(A) PROPOSED BONUS ISSUE OF 71,274,204 NEW SHARES OF RM0.50 EACH IN SEGi (“BONUS SHARES”), AFTER THE PROPOSED SUBDIVISION OF ONE (1) EXISTING ORDINARY SHARE OF RM1.00 EACH IN SEGi HELD INTO TWO (2) ORDINARY SHARES OF RM0.50 EACH (“SUBDIVIDED SHARES”), TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF TWO (2) BONUS SHARES FOR EVERY FIVE (5) SUBDIVIDED SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER (“PROPOSED BONUS ISSUE”); AND

(B) REVISIONS TO THE TERMS OF THE PROPOSED RIGHTS ISSUE, THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND THE PROPOSED AMENDMENT AS ANNOUNCED ON 21 APRIL 2010 RESULTING FROM THE PROPOSED BONUS ISSUE.

Contents :

1. INTRODUCTION

We refer to the Company’s announcements dated 21 April 2010 and 4 May 2010 (the “**Announcements**”) in relation to:-

- (i) The Proposed Share Split;
- (ii) The Proposed Rights Issue;
- (iii) The Proposed Increase in Authorised Share Capital; and
- (iv) The Proposed Amendment.

Unless otherwise stated, terms used in this announcement shall carry the same meaning as defined in the Announcements and this announcement should be read in conjunction with the Announcements.

On behalf of the Company, Kenanga Investment Bank Berhad is pleased to announce that the Board of Directors of SEGi (the “**Board**”) had on 18 May 2010 approved the Proposed Bonus Issue. It is proposed that the Proposed Bonus Issue will be implemented immediately after the Proposed Share Split, the Proposed Increase in Authorised Share Capital and the Proposed Amendment but prior to the Proposed Rights Issue.

The Proposed Share Split, Proposed Increase in Authorised Share Capital, Proposed Amendment, Proposed Bonus Issue and Proposed Rights Issue are collectively, hereinafter referred to as the “**Proposals**”.

2. THE PROPOSED BONUS ISSUE

2.1 Basis and Number of Bonus Shares

The Proposed Bonus Issue involves the issuance of 71,274,204 Bonus Shares at the subdivided par value of RM0.50 each to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every five (5) Subdivided Shares held by the entitled shareholders of the Company on the Entitlement Date. The Proposed Bonus Issue is conditional upon the completion of the Proposed Share Split, the Proposed Increase in Authorised Share Capital and the Proposed Amendment.

The current issued and paid-up share capital of the Company is RM89,092,755 comprising 89,092,755 ordinary shares of RM1.00 each. Based on the issued and paid-up share capital of the Company of 178,185,510 Subdivided Shares upon the completion of the Proposed Share Split, 71,274,204 Bonus Shares shall be issued pursuant to the Proposed Bonus Issue. Upon completion of the Proposed Bonus Issue, the issued and paid-up capital of the Company shall be enlarged to RM124,729,857 comprising 249,459,714 Subdivided Shares.

The Entitlement Date will be determined and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue. The Proposed Bonus Issue is not intended to be implemented on a staggered basis and is expected to be implemented immediately after the Proposed Share Split, the Proposed Increase in Authorised Share Capital and the Proposed Amendment.

2.2 Capitalisation of Reserves

The Proposed Bonus Issue shall be effected via the capitalisation of reserves of RM35,637,102 entirely from the Company's share premium reserves.

Based on the latest available audited financial statements of SEGi for the FYE 31 December 2009, the Company's share premium account stood at RM35,875,779. An illustration of the proposed capitalisation for the Proposed Bonus Issue based on the Company's latest available audited financial statements as at 31 December 2009 is set out below:-

	Audited as at 31 December 2009 (RM)	Amount to be capitalised (RM)	Balance after Proposed Bonus Issue (RM)
Share premium	35,875,779	35,637,102	238,677

The Board has also confirmed that the reserves required for capitalisation of the Proposed Bonus Issue based on the Company's latest audited financial statements for the FYE 31 December 2009 are unimpaired by losses on a consolidated basis, and hence is in compliant with paragraph 6.30(1) of the Bursa Securities' Main Market Listing Requirements ("**Listing Requirements**").

Further, in accordance with paragraph 6.30(3) of the Listing Requirements, the Board confirms that the SEGi Group and Company has adequate reserves to cover the capitalisation required for the Proposed Bonus Issue based on its latest audited financial statements for the FYE 31 December 2009. Messrs. Crowe Horwath has also been appointed to provide a confirmation of this, which will be enclosed in the shareholders' circular to seek shareholders' approval for amongst others, the Proposed Bonus Issue.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing Subdivided Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, which may be declared, made or paid to shareholders, the entitlement date of which precedes the date of allotment of the Bonus Shares.

Fractional entitlements of Bonus Shares, if any, shall be dealt with in such manner as the Board shall in their absolute discretion think expedient and in the best interest of the Company.

2.4 Listing and Quotation of the Bonus Shares

An application will be made to Bursa Securities for the listing and quotation of the Bonus Shares on Bursa Securities. Upon obtaining all the approvals, the Bonus Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the Entitlement Date. The notice of allotment will be issued and dispatched to the entitled shareholders no later than four (4) market days after the date of listing and quotation of the Bonus Shares.

3. REVISIONS TO THE TERMS OF THE PROPOSED RIGHTS ISSUE, THE PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND THE PROPOSED AMENDMENT

As a result of the Proposed Bonus Issue, the Bonus Shares proposed to be issued will also be taken into account for the Proposed Rights Issue. In light of this, the Warrants to be issued under the Proposed Rights Issue as described in the Announcements will be increased to reflect the enlarged share capital of the Company upon completion of the Proposed Share Split and the Proposed Bonus Issue.

On the same rights basis of one (1) new Warrant for every two (2) Subdivided Shares held, the Proposed Rights Issue will now result in the issuance of 124,729,857 Warrants upon the BCD.

Save for the adjustment to the number of Warrants to be issued under the Proposed Rights Issue, all other salient terms of the Warrants as contained in the Announcements shall remain the same.

The Proposed Rights Issue shall be conditional upon the completion of the Proposed Share Split, the Proposed Bonus Issue, the Proposed Increase in Authorised Share Capital and the Proposed Amendment.

Assuming full exercise of the 124,729,857 Warrants, up to 124,729,857 new Subdivided Shares will be issued at an exercise price of RM1.00 for each Warrant.

Based on the issue price of RM0.05 per Warrant, the Company is estimated to raise gross proceeds of approximately RM6,236,493 from the Proposed Rights Issue. The proposed utilisation of such proceeds is set out as follows:-

Details of Utilisation	Amount (RM)
Working capital requirements of the SEGi Group	5,786,493
Defrayment of estimated expenses incidental to the Proposals	450,000
Total	<u>6,236,493</u>

The proceeds to be raised from the exercise of the Warrants, if any, are proposed to be utilised for the working capital requirements of the SEGi Group.

Although irrevocable undertakings have already been obtained from Rexter Capital Sdn Bhd, Cerahsar Sdn Bhd and Dato' Clement Hii in relation to the terms of the Proposed Rights Issue as per the Announcements, SEGi has further procured fresh irrevocable undertakings from Rexter Capital Sdn Bhd, Cerahsar Sdn Bhd and Dato' Clement Hii to subscribe for their respective rights entitlement for the increased number of Warrants under the Proposed Rights Issue resulting from the Proposed Bonus Issue ("**Rights Undertaking Shareholders**").

For any remaining portion of Warrants which are not subscribed for by the other shareholders of SEGi, save for the Rights Undertaking Shareholders (“**Open Portion**”), SEGi has procured a fresh irrevocable undertaking from Dato’ Clement Hii (“**Open Portion Undertaking Shareholder**”) to subscribe for the additional number of Warrants under the Open Portion pursuant to the Proposed Rights Issue (resulting from the Proposed Bonus Issue).

Resulting from the new Bonus Shares to be issued pursuant to the Proposed Bonus Issue, the increased number of Warrants to be issued pursuant to the Proposed Rights Issue and the subsequent new Subdivided Shares to be issued upon exercise of the Warrants, the Proposed Increase in Authorised Share Capital and the Proposed Amendment have also been revised to reflect the enlarged number of shares to be issued under the Proposals.

4. RATIONALE FOR THE PROPOSED BONUS ISSUE

Together with the Proposed Share Split, the Proposed Bonus Issue is intended to:-

- (i) increase the capital base of the Company to a level which will better reflect the Company’s current scale of operations and the assets employed;
- (ii) promote marketability and liquidity in the trading of the shares of SEGi due to the larger capital base; and
- (iii) reward the existing shareholders of the Company for their continuous support by enabling them to have a greater participation in the equity of the Company in terms of the number of ordinary shares held.

5. FINANCIAL EFFECTS OF THE PROPOSALS

The financial effects of the Proposals are set out in the ensuing sections of this announcement.

The Proposed Increase in Authorised Share Capital and the Proposed Amendment have no impact on the share capital, substantial shareholders’ shareholding, NA, gearing and any existing convertible securities of SEGi.

5.1 Share Capital

The proforma effects of the Proposed Share Split, the Proposed Bonus Issue and the Proposed Rights Issue on the issued and paid-up capital of the Company are set out below.

The Proposed Rights Issue will not have an immediate effect on the issued and paid-up share capital of the Company. The issued and paid-up share capital of the Company will increase progressively depending on the number of new Subdivided Shares issued pursuant to the exercise of the Warrants by Warrant holders during the Exercise Period.

For illustration purpose, assuming all the Warrants are exercised, the issued and paid-up share capital of the Company as at 30 April 2010 (being the latest practicable date in respect of this announcement) shall increase as set out below:-

	No. of shares in SEGi	Par value	Share capital
	('000)	(RM)	(RM'000)
No. of shares @ 30.04.2010	89,093	1.00	89,093
No. of shares pursuant to Proposed Share Split	178,186	0.50	89,093
(Add): To be issued pursuant to Proposed Bonus Issue	71,274	0.50	35,637
Enlarged no. of shares after Proposed Bonus Issue	249,460	0.50	124,730
(Add): To be issued pursuant to exercise of Warrants	124,730	0.50	62,365
Enlarged no. of shares after the exercise of Warrants	374,190	0.50	187,095

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5.2 Substantial Shareholders' Shareholding

The Proposed Rights Issue will not have an immediate effect on the substantial shareholders' shareholding in SEGi. Any potential effect of the Proposed Rights Issue on the substantial shareholders' shareholding will depend on the number of new Subdivided Shares issued pursuant to the exercise of the Warrants by the Warrant holders during the Exercise Period.

For illustration purpose, assuming all the Warrants are exercised, the proforma effect of the Proposed Share Split, the Proposed Bonus Issue and the Proposed Rights Issue (illustrated as Scenario A and Scenario B) on the substantial shareholders' shareholding in SEGi as at 30 April 2010 is set out as follows:-

Scenario A : Assuming the completion of the Proposed Share Split, the Proposed Bonus Issue and all shareholders subscribe for their rights entitlement under the Proposed Rights Issue

Scenario B : Assuming the completion of the Proposed Share Split, the Proposed Bonus Issue and no shareholders subscribe for their rights entitlement save for the Rights Undertaking Shareholders and the Open Portion Undertaking Shareholder under the Proposed Rights Issue

	Shareholding as at 30.04.2009				Proforma I - After Proposed Share Split			
	Direct		Indirect		Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%
Rexter Capital Sdn Bhd	26,074	29.27%	-	0.00%	52,148	29.27%	-	0.00%
Cerahsar Sdn Bhd	26,500	29.74%	-	0.00%	53,000	29.74%	-	0.00%
Dato' Clement Hii	718	0.81%	-	0.00%	1,436	0.81%	-	0.00%

	Proforma II – After Proposed Bonus Issue				Scenario A			
	Direct		Indirect		Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%	No. of shares ('000)	%
Rexter Capital Sdn Bhd	73,007	29.27%	-	0.00%	109,511	29.27%	-	0.00%
Cerahsar Sdn Bhd	74,200	29.74%	-	0.00%	111,300	29.74%	-	0.00%
Dato' Clement Hii	2,010	0.81%	-	0.00%	3,016	0.81%	-	0.00%

	Scenario B			
	Direct		Indirect	
	No. of shares ('000)	%	No. of shares ('000)	%
Rexter Capital Sdn Bhd	109,511	29.27%	-	0.00%
Cerahsar Sdn Bhd	111,300	29.74%	-	0.00%
Dato' Clement Hii	53,137	14.20%	-	0.00%

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5.3 NA and Gearing

Based on the latest available audited consolidated balance sheets of SEGi as at 31 December 2009, the proforma effects of the Proposed Share Split, the Proposed Bonus Issue and the Proposed Rights Issue on the Company's consolidated NA and gearing are as follows:-

	(Audited) As at 31.12.2009	Proforma I After Proposed Share Split	Proforma II After Proposed Bonus Issue	Proforma III After completion of Rights Issue	Proforma III After exercise of warrants
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	89,093	89,093	124,730	124,730	187,095
Share premium	35,876	35,876	239 ^(a)	239	98,776
Treasury shares	(2,355)	(2,355)	(2,355)	(2,355)	(2,355)
Revaluation reserves	1,977	1,977	1,977	1,977	1,977
Exchange translation reserves	(429)	(429)	(429)	(429)	(429)
Retained profits	44,993	44,993	44,993	14,608 ^(b)	14,608
Warrants reserves	-	-	-	36,172 ^(c)	-
Net assets	169,155	169,155	169,155	174,942	299,672
Minority interest	839	839	839	839	839
Total equity	169,994	169,994	169,994	175,781	300,511
ST borrowings	6,089	6,089	6,089	6,089	6,089
LT borrowings	12,446	12,446	12,446	12,446	12,446
Total borrowings	18,535	18,535	18,535	18,535	18,535
NA per share	1.90^(d)	0.95	0.68	0.70	0.80
Gearing (times)	0.11	0.11	0.11	0.11	0.06

Notes:-

- (a) After capitalisation of RM35,637,102 to the share premium account relating to the Proposed Bonus Issue.
- (b) Taking into account the estimated expenses of RM450,000 related to the Proposals.
- (c) Assuming an estimated Warrant fair value of RM0.29 each.
- (d) Computed based on the number of ordinary shares in the Company as at 30 April 2010.

5.4 Earnings

Save for the dilution in the EPS of the SEGi Group from the increase in the number of issued and paid-up shares pursuant to the Proposed Share Split and Proposed Bonus Issue, the Proposed Share Split and Proposed Bonus Issue are not expected to have any material impact on the earnings of the SEGi Group for the financial year ending 31 December 2010.

For illustration purposes, based on the audited consolidated profit attributable to shareholders of the SEGi Group of RM10,023,000 for the financial year ended 31 December 2009 and the existing issued and paid up share capital as at the date of this announcement, the Proposed Share Split would result in the EPS of the SEGi Group being diluted from 11.25 sen to 5.63 sen, whereas the Proposed Bonus Issue would result in the EPS of the SEGi Group being diluted further from 5.63 sen to 4.02 sen. Nevertheless, it should be noted that the reduction in the EPS is only the result of SEGi's share capital base increasing and the Proposals does not affect the underlying operational profitability of the SEGi Group.

The Proposed Rights Issue will not have an immediate material impact on the earnings of SEGi. Nevertheless, the EPS of SEGi will have an immediate dilutive effect with any exercise of the Warrants. However, the degree of any effect from any exercise of the Warrants on the EPS would be dependent on the returns generated from the utilisation of proceeds arising from the exercise of the Warrants and also the SEGi Group's future financial performance.

5.5 Existing Convertible Securities

As at the date of this announcement, SEGi does not have any existing convertible securities.

6. APPROVALS REQUIRED FOR THE PROPOSED BONUS ISSUE

The Proposed Bonus Issue is subject to the following approvals being obtained:-

- (i) Bursa Securities for its approval-in-principle for the listing of and quotation for the Bonus Shares on the Main Market of Bursa Securities;
- (ii) shareholders of SEGi at an EGM to be convened; and
- (iii) any other relevant authorities/parties.

7. ESTIMATED TIMEFRAME FOR SUBMISSION TO THE AUTHORITIES

Barring any unforeseen circumstances, the relevant applications to Bursa Securities in relation to the Proposed Bonus Issue will be made within one (1) month from the date of this announcement.

8. ESTIMATED TIMEFRAME FOR COMPLETION

The Proposed Bonus Issue is estimated to be completed by mid July 2010 whereas the Proposals are estimated to be completed by the 3rd quarter of 2010.

9. INTER-CONDITIONALITY OF THE PROPOSALS

The completion of the Proposed Share Split, the Proposed Increase in Authorised Share Capital and the Proposed Amendment is inter-conditional upon each other.

The completion of the Proposed Bonus Issue is conditional upon the completion of the Proposed Share Split, the Proposed Increase in Authorised Share Capital and the Proposed Amendment.

The completion of the Proposed Share Split and Proposed Bonus Issue are not conditional upon the Proposed Rights Issue but the completion of the Proposed Rights Issue is however conditional upon the completion of the Proposed Share Split, the Proposed Increase in Authorised Share Capital, the Proposed Amendment and the Proposed Bonus Issue.

Save for the above, the completion of the Proposals is not conditional upon any other corporate proposals of the Company.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for their respective entitlements under the Proposed Bonus Issue as shareholders of SEGi, none of the Directors, major shareholders of SEGi and/or person(s) connected to them have any interest, directly or indirectly, in the Proposed Bonus Issue.

11. ADVISER

KIBB has been appointed as Adviser to SEGi in relation to the Proposed Bonus Issue.

This announcement is dated 19 May 2010.