THIS 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 advisers immediately.

Scomi

SCOMI GROUP BHD

(Company No. 571212-A)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED ISSUANCE OF CONVERTIBLE REDEEMABLE SECURED BONDS OF AN AGGREGATE NOMINAL VALUE OF RM110.0 MILLION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

Hong Leong Investment Bank Berhad (10209-W)
(Formerly known as MIMB Investment Bank Berhad)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Financial Adviser

Newfields Advisors

Newfields Advisors Sdn Bhd (296051-V)

The Notice of Extraordinary General Meeting ("**EGM**") and the Form of Proxy of Scomi Group Bhd ("**SGB**") are set out in this Circular. The EGM will be held as follows:

Date and time of the EGM	:	Thursday, 31 January 2013 at 2.30 p.m., or at any adjournment
Venue of the EGM	:	Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan
Last date and time for lodging the Proxy Form	:	Tuesday, 29 January 2013 at 2.30 p.m.

If you are unable to attend and vote at the EGM, 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 with the Share Registrar of SGB, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan by Tuesday, 29 January 2013 at 2.30 p.m., or in the event the EGM is adjourned, not less than 48 hours before the adjourned EGM. The lodging of the Form of Proxy will not prelude you from attending and voting in person at the EGM should you subsequently decide to do so.

This Circular is dated 16 January 2013

DEFINITIONS

"Act"	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
"Board"	:	Board of Directors of SGB
"Bonds"	:	Convertible redeemable secured bonds of an aggregate nominal value of RM110.0 million
"Bonds Subscription Agreement"	:	Subscription agreement dated 24 September 2012 between IJM and SGB for the proposed issuance by SGB of 100% of the Bonds, which are to be subscribed by IJM for cash
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CDS"	:	Central Depository System
"CFA"	:	Communaute Financiere Africaine Franc
"Circular"	:	This circular to the shareholders of SGB dated 16 January 2013 in relation to the Proposed Bonds Issue
"CMSA"	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
"Deed Poll"	:	The deed poll constituting the Bonds
"Director(s)"	:	Director(s) of SGB
"EGM"	:	Extraordinary General Meeting
"EPS"	:	Earnings per share
"FRS"	:	Financial Reporting Standards
"FII"	:	Fuji Investments I (92417)
"FYE"	:	Financial year ended/ending
"GBP"	:	British pound sterling
"GDP"	:	Gross domestic product
"HLIB"	:	Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) (10209-W)
"ICSLS"	:	2009/2012 3-year 4% irredeemable convertible secured loan stocks issued by SGB on 14 December 2009 and matured on 14 December 2012 with a conversion price of RM0.40 nominal value of ICSLS for every 1 new SGB Share, as constituted by a trust deed dated 2 November 2009
"IJM"	:	IJM Corporation Berhad (104131-A)
"IJM Group"	:	IJM and its subsidiaries
"KMCOB"	:	KMCOB Capital Berhad (746433-M)

"KOB"	:	KMC Oiltools BV (33.236.068)
"LATAMI"	:	Loss after taxation and minority interest
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities (as amended or modified from time to time)
"LPD"	:	31 December 2012, being the latest practicable date prior to the printing of this circular
"LPS"	:	Loss per share
"Maybank IB"	:	Maybank Investment Bank Berhad (15938-H)
"NA"	:	Net assets
"Newfields"	:	Newfields Advisors Sdn Bhd (296051-V)
"NGN"	:	Nigerian Naira
"NOK"	:	Norwegian Krone
"Proposals"	:	Proposed Placement and Proposed Bonds Issue collectively
"Proposed Bonds Issue"	:	Proposed issuance of the Bonds by SGB
"Proposed Placement" or "Placement"	:	Proposed issuance of 119,109,500 new SGB Shares, representing approximately 10% of the issued and paid-up share capital of the Company (net of Treasury Shares), by way of private placement, to be subscribed by IJM for a cash consideration of RM39,306,135 by SGB, which was completed with the listing of the 119,109,500 new SGB Shares on the Main Market of Bursa Securities on 3 October 2012
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SC"	:	Securities Commission Malaysia
"Scomi Oiltools"	:	Scomi Oiltools Ltd (13213)
"SCPE"	:	Standard Chartered Private Equity Limited (214691)
"SEB"	:	Scomi Engineering Bhd (111633-M)
"SEB Group"	:	SEB and its subsidiaries
"SGB" or "the Company" or "the Issuer"	:	Scomi Group Bhd (571212-A)
"SGB Group" or "Group"	:	SGB and its subsidiaries
"SGB Share(s)" or "Share(s)"	:	Ordinary share(s) of RM0.10 each in SGB
"SKMC"	:	Scomi KMC Sdn Bhd (761077-H)
"SMB"	:	Scomi Marine Bhd (397979-A)
"SMB Group"	:	SMB and its subsidiaries

"SOAL"	:	Scomi Oiltools (Africa) Limited (OG-254337)
"SOBL"	:	Scomi Oiltools Bermuda Limited (25328)
"SOCL"	:	Scomi Oiltools (Cayman) Ltd (13212)
"SOEL"	:	Scomi Oiltools (Europe) Limited (SC125594)
"SOES"	:	Scomi Oiltools Egypt SAE (145593)
"SOL"	:	Scomi Oilfield Limited (39717)
"SOL Group"	:	SOL and its subsidiaries
"SOPL"	:	Scomi Oiltools Pty Ltd (ACN 009 047 349)
"SORL"	:	Scomi Oiltools (RUS) LLC (1087746340505)
"SOSB"	:	Scomi Oiltools Sdn Bhd (81755-D)
"SOSPL"	:	Scomi Oiltools (S) Pte Ltd (200413651C)
"SOT"	:	Scomi Oiltools (Thailand) Ltd (0105525039451)
"SSSB"	:	Scomi Sosma Sdn Bhd (443417-K)
"Treasury Shares"	:	14,427,200 SGB Shares that are held by SGB as treasury shares as at the LPD
"USD"	:	United States Dollar
"Vibratherm"	:	Vibratherm Limited (07742264)
"VWAMP"	:	Volume weighted average market price
"Warrants"	:	2009/2012 warrants issued by SGB on 14 December 2009 and expired on 14 December 2012 with an exercise price of RM0.40, as constituted by a deed poll dated 2 November 2009
"Wasco"	:	Wasco Oil Service Company Nigeria Limited (RC. 71741)

All references to "you" in this Circular are to the shareholders of the Company, unless the context otherwise requires.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural, and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as amended or re-enacted from time to time.

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

Any reference in time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

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Scomi

SCOMI GROUP BHD
(Company No. 571212-A)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

16 January 2013

Board of Directors:

Tan Sri Asmat bin Kamaludin *(Chairman/Independent Non-Executive Director)*
Tan Sri Nik Mohamed bin Nik Yaacob *(Independent Non-Executive Director)*
Tan Sri Mohamed Azman bin Yahya *(Non-Independent Non-Executive Director)*
Datuk Haron bin Siraj *(Independent Non-Executive Director)*
Dato' Mohammed Azlan bin Hashim *(Independent Non-Executive Director)*
Dato' Sreesanthan a/l Eliathamby *(Independent Non-Executive Director)*
Dato' Abdul Rahim bin Abu Bakar *(Independent Non-Executive Director)*
Dato' Teh Kean Ming (*Non-Independent Non-Executive Director*)
Foong Choong Hong *(Non-Independent Non-Executive Director*)
Shah Hakim @ Shahzanim bin Zain *(Group Chief Executive Officer/Non-Independent Executive Director)*

To: The Shareholders of Scomi Group Bhd

Dear Sir/Madam,

PROPOSED ISSUANCE OF CONVERTIBLE REDEEMABLE SECURED BONDS OF AN AGGREGATE NOMINAL VALUE OF RM110.0 MILLION

1. INTRODUCTION

On 24 September 2012, Maybank IB had, on behalf of the Board, announced that SGB had on 24 September 2012 entered into the following conditional agreements with IJM:

(i) a subscription agreement for the proposed issuance by SGB of 119,109,500 new SGB Shares, representing approximately 10% of the issued and paid-up share capital of the Company (net of the Treasury Shares), by way of private placement, to be subscribed by IJM for a cash consideration of RM39,306,135; and

(ii) a subscription agreement for the proposed issuance by SGB of 100% of the RM110.0 million nominal value of zero coupon 3-year convertible redeemable secured bonds, to be subscribed by IJM for cash.

On 3 October 2012, Maybank IB had, on behalf of the Board, announced that the Proposed Placement has been completed with the listing of the 119,109,500 new SGB Shares on the Main Market of Bursa Securities on 3 October 2012.

On 29 October 2012, SGB had announced that Maybank IB had resigned as the Principal Adviser for the Proposed Bonds Issue and that HLIB has been appointed in place of Maybank IB. The resignation of Maybank IB was mutually agreed with SGB.

On 6 December 2012, HLIB had, on behalf of the Board, announced that SGB and IJM had mutually agreed to extend the Cut Off Date (as defined herein) for the fulfilment of the Conditions Precedent (as defined herein) for the Proposed Bonds Issue from 24 December 2012 to 11 February 2013.

On 14 December 2012, HLIB had, on behalf of the Board, announced that the SC had, via its letter dated 13 December 2012, approved the Proposed Bonds Issue under Section 212(5) of the CMSA.

On 14 January 2013, HLIB had, on behalf of the Board, announced that Bursa Securities had approved the listing of up to 348,873,287 new SGB Shares to be issued pursuant to the conversion of the Bonds.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED BONDS ISSUE AND TO SEEK YOUR APPROVAL FOR THE ORDINARY RESOLUTION IN CONNECTION WITH THE PROPOSED BONDS ISSUE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED BONDS ISSUE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSED BONDS ISSUE

The Proposed Bonds Issue will involve the issuance of the Bonds at 100% of its nominal value to IJM for cash.

The Bonds are convertible into new SGB Shares at the option of IJM, at a conversion price of RM0.365 per SGB Share. The number of new SGB Shares to be issued in the event of conversion of the Bonds will depend on the conversion rights of the Bonds and the quantum of Bonds converted during the tenure of the Bonds.

The salient terms of the Bonds are as follows:

Issuer	:	SGB
Issue Size	:	Nominal value of RM110.0 million
Issue Price	:	The Bonds will be issued at par to the nominal value and the issue price shall be calculated in accordance with the Operational Procedures for Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**"), as amended or substituted from time to time.
Tenure/Maturity Date	:	3 years from the Issue Date (as herein defined) ("**Maturity Date**").

Issue Date	:	The Bonds shall be issued on a date to be mutually agreed between SGB and IJM, but in any case the Issue Date shall be within two months from which the Bonds Subscription Agreement becomes unconditional. For avoidance of doubt, such issuance shall be implemented within one (1) year from the date of the approval of the SC.
Coupon	:	The Bonds will be issued on a zero coupon basis.
Security	:	The Bonds will be secured (in favour of the security trustee for the benefit of IJM) vide a first party legal charge over 313,043,478 ordinary shares of RM0.45 each in SMB ("**SMB Shares**")held by SGB ("**Charged SMB Shares**") ("**SMB Charge**"). The Charged SMB Shares will be proportionately discharged upon redemption/conversion of the Bonds (as the case may be). Note: The Charged SMB Shares are currently charged to the lenders under the bridging loan facility of RM118.0 million granted to SGB. The Charged SMB Shares will be discharged and credited into the CDS account of the security trustee in favour of IJM within three (3) business days upon the receipt of the redemption amount by the security agent of the bridging loan facility.
Rating	:	The Bonds will not be rated.
Form and Denomination	:	The Bonds shall be represented by a global certificate to be deposited with Bank Negara Malaysia and shall be in bearer form. No physical delivery of the Bonds is permitted. The Bonds shall be prescribed and be reported under the rules of MyClear and shall comply with all rules and requirements set out by MyClear. The Bonds will be denominated in multiples of RM1,000,000 each.
Mode of Issue	:	The Bonds will be issued on a private placement basis without prospectus. Issuance of the Bonds shall be in accordance with the rules of MyClear, subject to such exemptions (if any) granted from time to time.
Redemption	:	SGB has an option to redeem all or any part of the outstanding Bonds in cash at each anniversary of the Issue Date. The redemption price will be the nominal value of the Bonds plus 10% yield for each full year that the Bonds remain outstanding. As an illustration, the redemption price for: ▪ redemption on 1st anniversary from the Issue Date is RM1.10, ▪ redemption on 2nd anniversary from the Issue Date is RM1.21, ▪ redemption on 3rd anniversary from the Issue Date is RM1.33, for every RM1.00 nominal value. Consent from IJM is required for redemption on the 1st and 2nd anniversary from the Issue Date unless: (i) the SGB Shares have been traded at a price of not less than RM0.50 (based on daily VWAMP) for 90 days consecutively prior to the respective 1st and 2nd anniversary of the Issue Date; and (ii) SGB has recorded profit after taxation and minority interest (consolidated basis) for the latest 2 quarters prior to the redemption. All Bonds redeemed by SGB shall be cancelled and cannot be resold.

Selling Restriction	:	At the point of issuance, the Bonds fall within: (i) Schedule 6 (or Section 229(1)(b) of the CMSA) and Schedule 7 (or Section 230(1)(b) of the CMSA); read together with (ii) Schedule 9 (or Section 257(3) of the CMSA). The Bonds are not tradable and not transferable.
Listing Status	:	The Bonds will not be listed on any stock exchange.
Status and Ranking	:	The Bonds shall constitute direct, unconditional and secured obligations of SGB and will at all times rank pari-passu without preference or priority among themselves and will rank in priority to all other present and future unsecured obligations of SGB from time to time (subject to those preferred by laws).
Conversion Rights	:	IJM shall have the option to convert at the Conversion Price (as defined herein) all or any part of the Bonds into fully paid SGB Shares at any time during the Conversion Period (as defined herein), subject to IJM giving a prior 30 days irrevocable written notice to SGB. For the purposes of conversion, the Bonds will carry a yield of 5% per annum calculated daily. The number of SGB Shares to be issued upon conversion will be determined based on the following: $\frac{a \times (1.05)^{c}}{b}$
	:	Whereby a = Nominal value of Bonds to be converted b = Conversion Price c = no. of days from the Issue Date until conversion/365 All outstanding Bonds will automatically be converted into SGB Shares upon maturity of the Bonds and the number of SGB Shares to be issued will be based on the abovementioned formula. Any fractional entitlements on the conversion of the Bonds will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion think expedient in the best interests of the Company.
Conversion Price	:	The SGB Shares will be issued at a conversion price of RM0.365 per SGB share which was arrived at based on a premium of approximately 10% to the 5-day VWAMP of SGB Shares up to and including 21 September 2012, or RM0.33, upon conversion. The Conversion Price is subject to adjustments pursuant to certain events as set out in the deed poll to be entered into (including but not limited to subdivision, consolidation of shares, bonus issues, rights issues and other dilutive events).
Conversion Period	:	Any time after the Issue Date and up to Maturity Date of the Bonds.

Status of the new SGB Shares	:	The new SGB Shares to be issued arising from the conversion of the Bonds will be listed on the Main Market of Bursa Securities. The SGB Shares arising from the conversion of the Bonds will, upon allotment and issue, rank *pari-passu* in all respects with the existing SGB Shares, except that they shall not be entitled to any dividends, rights, allotments and/or any other distributions, unless the allotment of the SGB Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.
Events of Default	:	Events of Default typical and customary for a facility of this nature as advised by the solicitors, including but not limited to the following: (i) Any representation or warranty made or implied under any provision of the issue documents or any information, notice, opinion or certificate or other document delivered pursuant to the terms of the issue documents proves to have been incorrect or misleading in any particular manner deemed to be material by IJM as of the date on which the representation or warranty was made or was deemed made; (ii) SGB fails to observe or perform or commits a breach of any of its obligations under any of the issue documents to which it is a party or under any undertaking or arrangement entered into (if applicable) in connection therewith which is not capable of remedy or if capable of remedy, the failure is not remedied within ten (10) business days thereof or such other period as may be agreed by IJM; (iii) Any authorisation, licence, approval, permit or consent which is required for SGB to carry on its business is withdrawn, revoked or terminated or has expired and not renewed and the result of the foregoing could reasonably be expected to have a Material Adverse Effect (as defined herein) on the ability of SGB to perform its obligation; (iv) SGB or any of its Material Subsidiaries (as defined herein) enters into or propose to enter into, or there is declared by any competent court or authority, a moratorium on the payment of indebtedness or other suspensions of payments generally; (v) A dissolution, winding up order or liquidation proceeding has been made against SGB or its Material Subsidiaries (as defined herein) and it is not withdrawn or discharged within forty five (45) days thereof; (vi) A resolution to wind up SGB or its Material Subsidiaries (as defined herein) has been passed and it is not withdrawn or discharged within forty five (45) days thereof; (vii) A scheme of arrangement under section 176 of the Companies Act 1965 has been instituted against SGB or its Material Subsidiaries (as defined herein) and it is not withdrawn or discharged within forty five (45) days thereof;

Events of Default *(cont'd)*	:	(viii)	SGB or its Material Subsidiaries (as defined herein) becomes or is declared insolvent or consents to the appointment of a trustee, custodian or receiver or administrator for it or for a substantial part of its property, or any such trustee, custodian or receiver is appointed, or dissolution, reorganization, intervention, arrangement or liquidation proceedings are instituted by SGB or its Material Subsidiaries (as defined herein).
		(ix)	SGB or any of its Material Subsidiaries (as defined herein) ceases or threaten to cease to carry on all or a substantial part of its respective business;
		(x)	SGB or any of its Material Subsidiaries (as defined herein) becomes insolvent or commits an act of insolvency or is unable to pay its debts as they fall due or any final judgment or judgments is or are obtained against SGB or any of its Material Subsidiaries (as defined herein);
		(xi)	If any other indebtedness of SGB becomes due and payable prior to its stated maturity or if SGB fails to pay any other indebtedness within fourteen (14) days after the due date for payment thereof or where the security created for any such other indebtedness becomes enforceable or SGB is in default under or commit a breach of any instrument or agreement relating to any such indebtedness which may have Material Adverse Effect (as defined herein);
		(xii)	SGB defaults on any other provision of the issue documents which is not capable of remedy or which, being capable of remedy, is not remedied within ten (10) business days thereof or such other period as may be agreed by IJM;
		(xiii)	Any provision of the issue documents is or becomes illegal, void, voidable or unenforceable;
		(xiv)	SGB commits a breach or defaults on the terms and conditions of any other contract or agreement it enters into to the extent that which may have Material Adverse Effects (as defined herein);
		(xv)	SGB sells or threatened to sell, transfer or otherwise dispose off all or part of its business or assets which may have Material Adverse Effects (as defined herein);
		(xvi)	It is or becomes unlawful for SGB to perform or comply with any one or more of SGB's obligations under the issue documents;
		(xvii)	If any legal proceeding, suit or action is instituted against SGB, or any distress or any form of execution or other legal process is levied, enforced upon or sued out against all or any part of the business assets of SGB and is not stayed or discharged within twenty one (21) days after being levied, enforced or sued out, which may have Material Adverse Effect (as defined herein);
		(xviii)	Nationalization event shall have occurred. "Nationalization Event" is defined as private industry or private asset is transformed into public ownership by a national government or state; and

Events of Default *(cont'd)*	:	(xix) An event of total loss occurs in the opinion of IJM. "Event of total loss" is defined as earthquake, fire or war etc. "Material Subsidiaries" shall mean SMB and SEB. Upon the occurrence of any Event of Default, whether or not such event is continuing, IJM may declare by giving notice thereof to SGB that – (i) an Event of Default has occurred; and (ii) the Bonds are immediately due and repayable; and without further notice to SGB institute such proceedings and take such steps as it may think fit, including enforcing all or any of the remedies under the Bonds.
Material Adverse Effect	:	In relation to an event or circumstance, the occurrence or effect of which (in the opinion of IJM) may have a material adverse effect on:- (a) the business or condition (financial or otherwise) or prospects of the SGB and/or its Material Subsidiaries taken as a whole, or (b) the ability of the SGB to perform any of its obligations under any provision of the issue documents, or (c) the rights of or remedies available to IJM under any provision of the issue documents.
Deed Poll	:	The Bonds shall be constituted by a deed poll.
Governing Law	:	Laws of Malaysia.

2.1 Salient terms of the Bonds Subscription Agreement

The salient terms of the Bonds Subscription Agreement are as follows:

(i) The Proposed Bonds Issue is conditional upon and subject to the following conditions precedent ("**Conditions Precedent**") being fulfilled to the satisfaction of SGB and IJM within 3 months from the date of the Bonds Subscription Agreement or any longer period as mutually agreed in writing between SGB and IJM ("**Cut Off Date**"):

(a) the approvals as set out in Section 7 below;

(b) the Deed Poll and Bonds Subscription Agreement (collectively referred to as "**Issue Documents**") being duly executed, in such form and substance as is acceptable to the parties, and presented for registration, where relevant;

(c) the SMB Charge being duly executed and any other security created to secure the payment under the Bonds and the Deed Poll (collectively referred to as "**Security Documents**"), in such form and substance as is acceptable to the parties, and presented for registration, where relevant;

(d) receipt by IJM of a letter of undertaking in the form and substance acceptable to IJM from the existing chargee of the Charged SMB Shares to discharge its charge over the Charged SMB Shares and to transfer the Charged SMB Shares into the CDS account of the security trustee within 3 business days of the chargee's receipt of the relevant redemption sum;

(e) the original copies of the Issue Documents being duly stamped being deposited with IJM;

(f) IJM receiving copies of the following documents, certified as true by a director or the secretary of the respective parties:

(aa) SGB's certificate of incorporation and memorandum and articles of association;

(ab) the resolution of the Board authorising the issue of the Bonds;

(ac) the resolution of the Board authorising the execution and performance by SGB of the Issue Documents;

(ad) a certified true copy of the duly executed Issue Documents;

(ae) the resolutions of the Board and board of directors of any other party providing security for payment of moneys under the Bonds and the Bonds Subscription Agreement ("**Security Parties**"), authorising:

(1) the Security Parties' giving of the securities in the Security Documents of which they are a party to;

(2) the execution and performance by the Security Parties of the Security Documents to which they are a party to;

(af) the certificate of incorporation, memorandum and articles of association of each of the Security Parties; and

(ag) each of the Security Parties' latest Forms 24, 44 and 49;

(ii) If the Conditions Precedent are not fulfilled by the Cut Off Date for any reason whatsoever, either party will be entitled to give a notice of termination to the other party.

(iii) Within 3 business days of the Issue Date, SGB will perfect the SMB Charge in favour of IJM and ensure that the Charged SMB Shares are credited into the CDS account of the security trustee;

(iv) SGB may, at any time prior to the completion of the Proposed Bonds Issue ("**Bonds Issue Completion**"), give a notice of termination to IJM in the event IJM defaults in the payment for the Bonds in accordance with the provisions of the Bonds Subscription Agreement, or is otherwise in breach of IJM's obligations under the Bonds Subscription Agreement;

(v) IJM may, at any time prior to the Bonds Issue Completion while such default subsists give a notice of termination to SGB in the event that:

(a) SGB fails, neglects or refuses to complete the Proposed Bonds Issue in accordance with the provisions of the Bonds Subscription Agreement; or

(b) SGB fails, neglects or refuses to perform or comply with any of its undertakings and covenants on its part, as stated in the Bonds Subscription Agreement, to be performed.

(vi) A party may, at any time prior to the Bonds Issue Completion, give a notice of termination to the other party if:

(a) the other party is or becomes, or is adjudicated or found to be, bankrupt or insolvent or suspends payment of its debts or is (or is deemed to be) unable to or admits inability to pay its debts as they fall due or proposes or enters into any composition or other arrangement for the benefit of its creditors generally or proceedings are commenced in relation to that party under any law regulation or procedure relating to reconstruction or adjustment of debts; or

(b) an administrator, receiver, or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the other party.

2.2 Basis of determining the redemption and conversion yield and price of the Bonds

The Bonds will be issued at an effective yield of 5% per annum (if converted) and 10% yield (if redeemed). The effective yield of 5% per annum if the Bonds were converted by IJM was arrived at based on a negotiated basis and it being lower than the Company's presently available borrowing rate upon entering into the Bonds Subscription Agreement while the effective yield of 10% per annum if the Bonds were redeemed by SGB was arrived at based on the Company's ability to obtain borrowings at that borrowing rate upon entering into the Bonds Subscription Agreement.

Based on the above, the redemption price was arrived based on the agreed yield of 10% (if redeemed) while the conversion price was arrived at based on a 10% premium to the 5-day VWAMP Shares prior to the signing of the Bonds Subscription Agreement on 24 September 2012 of RM0.33.

2.3 Information on IJM

IJM was incorporated under the Act on 16 July 1983 in Malaysia under the name of Solidstate (M) Sdn Bhd and changed its name to IJM Engineering & Construction Sdn Bhd on 15 March 1984. On 28 February 1986, it was converted to a public company as IJM Engineering & Construction Berhad and assumed its current name on 16 December 1989.

IJM is principally involved in construction and investment holding whilst its subsidiaries are principally involved in construction, property development, manufacturing and quarrying, hotel operations, port operations, tollway operations, plantations and investment holding.

As at LPD, IJM has an authorised share capital of RM3,000,000,000 comprising 3,000,000,000 ordinary shares of RM1.00 each in IJM ("**IJM Shares**"), of which 1,382,663,434 IJM Shares have been issued and fully paid-up (including 27,000 IJM Shares that are held as treasury shares).

Based on the audited consolidated financial statements for the FYE 31 March 2012 and the 6-month unaudited consolidated financial statements ended 30 September 2012, IJM recorded a profit after taxation of RM550.49 million and RM298.28 million respectively and NA of RM5,348.05 million and RM5,395.78 million respectively.

3. RATIONALE FOR THE PROPOSED BONDS ISSUE

The subscription agreements for the Proposed Bonds Issue and Placement were entered into between SGB and IJM on 24 September 2012 as SGB required immediate funds to meet its debt obligations for its bonds established through a medium term notes programme of RM500.0 million issued on 28 September 2005 ("**MTN Notes**"). The MTN Notes were pared down by RM250.0 million and RM50.0 million in 2006 and 2010 respectively. Of the remaining MTN Notes of RM200.0 million to be repaid, RM100.0 million was due on 28 September 2011 ("**MTN Tranche 1**") while the remaining RM100.0 million was due on 28 September 2012 ("**MTN Tranche 2**"). During the FYE 31 December 2011, SGB obtained the approval of the holders of the MTN Notes to extend the maturity date of MTN Tranche 1 from 28 September 2011 to 28 September 2012. In September 2012, SGB further obtained the approval of the holders of the MTN Notes to extend the maturity date of MTN Tranche 1 and MTN Tranche 2 from 28 September 2012 to 12 October 2012.

Of the remaining MTN Notes of RM200.0 million to be repaid, SGB had, in September 2012 prepaid RM57.9 million from the proceeds received from SMB's capital repayment exercise. SGB had earlier planned to repay a portion of the remaining outstanding MTN Notes using a portion of the proceeds of RM57.0 million from SGB's disposal of 100% equity interest in Scomi Nigeria Pte Ltd ("**SNPL**") to AOS Orwell Limited ("**SNPL Disposal**") which were targeted to be received by the end of September 2012. However, there was a delay as AOS Orwell Limited required an extension of time to complete the SNPL Disposal due to a delay in finalising their funding requirements for the transaction. The then Board (which excludes Dato' Teh Kean Ming, who was only appointed to the Board on 22 October 2012) after having explored all avenues of fund raising and after considering the financing proposals from various financial institutions, had opted for the Company to enter into the subscriptions agreements for the Proposed Bonds Issue and Placement with IJM. The said subscription agreements enabled SGB to obtain a bridging loan facility of RM118.0 million, as an interim solution to meet its outstanding debt obligations under the MTN Notes pending the completion of the Proposed Bonds Issue. On 3 October 2012, SGB prepaid a further RM32.1 million of the remaining outstanding MTN Notes from the proceeds of the Placement. The debt obligations of the Company under the MTN Notes were fully settled by the Company on 12 October 2012 via the drawdown of RM110.0 million from the bridging loan facility. The remaining balance of RM8.0 million from the bridging loan facility was utilised for the repayment of SGB's other bank borrowings. The net proceeds from the SNPL Disposal amounting to USD27.72 million (equivalent to RM84.60 million) were eventually received on 17 October 2012, of which, RM57.0 million was utilised for the partial prepayment of the bridging loan facility. The Proposed Bonds Issue and the bridging loan facility enabled SGB to raise funds in the most expeditious manner from the capital markets without incurring long term interest cost, as compared to bank borrowings.

The Proposed Bonds Issue together with the completed Proposed Placement will provide the SGB Group with a strategic partner in IJM. After the completion of the Proposals, IJM will hold a strategic stake in SGB of up to 24.36%, subject to the conversion date of the Bonds. Thus, the entry of IJM as a substantial shareholder of SGB would enable the SGB Group to leverage on IJM's expertise in civil engineering which will complement the existing business of the SGB Group in executing projects both locally and internationally. Given that IJM is an established player in the civil engineering industry and with investments in infrastructure assets, both locally and internationally, the SGB Board believes that SGB will be able to tap into the experience of IJM in project management, in particular cost, quality and time management, and also to explore possible collaborations with IJM in the bidding for engineering, procurement or construction projects in the future.

The Proposed Bonds Issue which was undertaken together with the Placement will minimise immediate further dilution on the EPS resulting from the issuance of the new SGB Shares pursuant to the Placement as IJM has the option to convert the Bonds at any time during the Conversion Period. However, in the event the Bonds are converted by IJM immediately upon issuance, such issuance of the new SGB Shares will result in an immediate dilution on EPS. The conversion of the Bonds, by IJM, into new SGB Shares will be at the Conversion Price which was fixed at a premium of approximately 10% to the 5-day VWAMP market price of SGB Shares prior to the signing of the Bonds Subscription Agreement on 24 September 2012. To the extent this option is exercised, the new SGB Shares will further enhance the capital of SGB via the increase in the issued and paid-up share capital of the Company.

In terms of cash flow management, proceeds from the Proposed Bonds Issue will allow the SGB Group to fully repay the bridging loan facility which had been obtained by SGB and which will be due for full repayment in on 13 February 2013 (after an extension of one month, as provided for in the facility agreement, from its initial maturity date of 13 January 2013). In view that the Bonds will be issued at an effective yield of 5% per annum (if converted) and 10% yield (if redeemed), the SGB Group will be able to eliminate its risk of uncertainty in interest rate fluctuation. In addition, the Bonds which are to be issued at a zero coupon rate will also alleviate SGB's cash flow burden on interest payments. Furthermore, there is no obligation for SGB to redeem the Bonds upon maturity in cash, hence this will provide better flexibility for the Group in cashflow management.

The Proposed Bonds Issue will also provide SGB with the required working capital for the Group's existing transport solutions operations, namely the Group's Sao Paolo Monorail project and Manaus Monorail project in Brazil and its green monorail Chembur-Wadala-Jacob Circle Monorail project in India. The proceeds from the Proposed Bonds Issue would also provide working capital for the Group's oilfield services operations as its integrated drilling services team had recently launched a new product line.

Premised on the above, the then Board (which excludes Dato' Teh Kean Ming, who was only appointed to the Board on 22 October 2012) was of the view that the Proposed Bonds Issue was the most appropriate means of raising funds for the Group to repay its outstanding borrowings, in particular the bridging loan which was drawn down to repay its debt obligations under the MTN Notes, which if not paid would have resulted in a default by SGB on its debt obligations under the MTN Notes.

4. UTILISATION OF PROCEEDS

The gross proceeds from the Proposed Bonds Issue amounting to RM110.0 million is proposed to be utilised as follows:

Details of proposed utilisation	RM'000	Expected timeframe for utilisation
To repay the outstanding bridging loan[i]	61,000	Within 3 months from the Issue Date
Working capital[ii]	46,000	Within 2 years from the Issue Date
Defray estimated expenses[iii]	3,000	Within 3 months from the Issue Date
	110,000	

(i) To repay the outstanding bridging loan

As at 31 December 2011 and as at the LPD, total borrowings of the Group amounted to RM1.07 billion and RM1.02 billion respectively. Subsequent to the announcement on the Proposed Bonds Issue, the Company had obtained a bridging loan facility of RM118.0 million at an interest rate of 4.85% per annum from Hong Leong Bank Berhad ("**HLBB**") and HLIB, which is short term in nature and will mature on 13 February 2013 (after an extension of one month, as provided for in the facility agreement, from its initial maturity date of 13 January 2013). The bridging loan was drawn in order to meet SGB's obligation to repay its MTN Notes which was due in October 2012. The bridging loan has been pared down by RM57.0 million from RM118.0 million to RM61.0 million from a portion of proceeds received on 17 October 2012 upon completion of the SNPL Disposal. Hence, RM61.0 million of the gross proceeds to be raised from the Proposed Bonds Issue will be utilised to repay the outstanding amount under the bridging loan facility. Such repayment is expected to result in annual interest savings of approximately RM6.1 million (based on the lowest commercial loan interest rate of approximately 10% per annum offered to SGB prior to obtaining the said bridging loan).

(ii) Working capital

The proceeds of RM46.0 million in respect of the proceeds raised from the Proposed Bonds Issue will be utilised to fund the Group's existing business operations which include amongst others, the payment of general expenses and other operating expenses. The said proceeds will provide the Group with the required working capital for its existing transport solutions operations in Brazil and India as well as its newly launched product line under its oilfield services operations (as detailed in Section 3 of this Circular).

(iii) Defray estimated expenses

SGB intends to utilise part of the proceeds from the Proposed Bonds Issue to defray the estimated expenses in relation to the Proposed Bonds Issue which comprise the following:

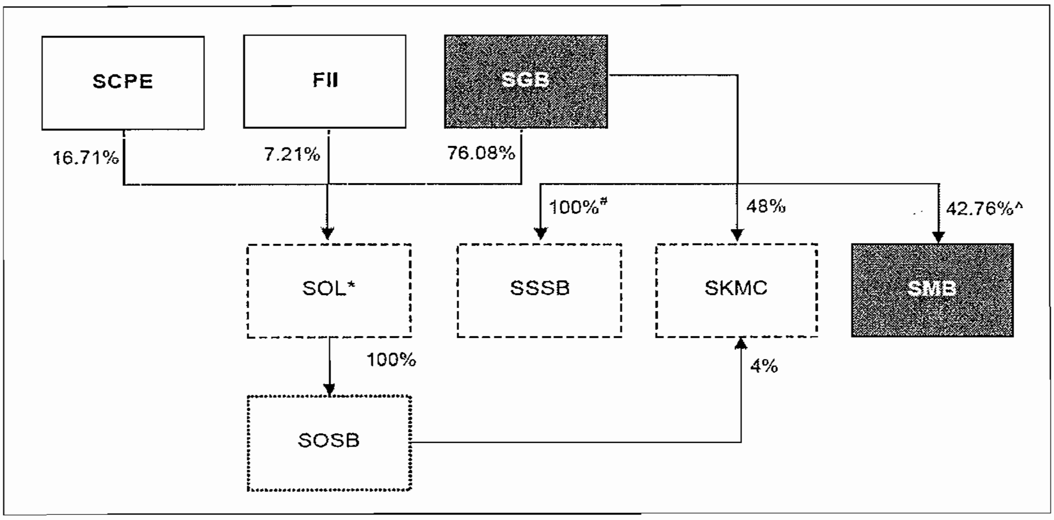
	RM'000
Professional fees	2,698
Estimated fees payable to the relevant authorities	110
Miscellaneous expenses	192
Total	3,000

5. ECONOMY OVERVIEW, INDUSTRY OUTLOOK AND THE PROSPECTS OF THE SGB GROUP

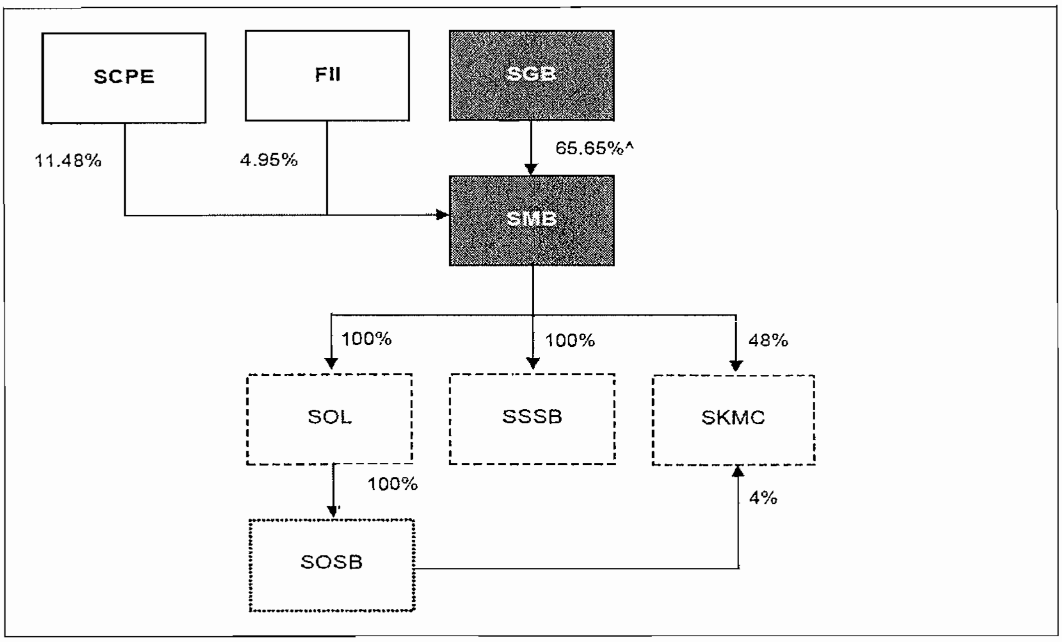
SGB will be an investment holding company post completion of the Proposed Disposals (as defined under Section 10). The prospects of SGB therefore will mainly rely on the prospects of SMB Group (which will become a majority owned subsidiary company of SGB post completion of the Proposed Disposals) and SEB Group.

The group structure of SGB before and after the Proposed Disposals is as follows:

Before



After



Notes:

* *After the completion of the proposed internal reorganisation of the SOL Group to streamline and reorganise the various legal entities within the SOL Group based on distinct geographical presence as announced by SGB on 24 July 2012.*

^ *The percentage shareholdings have been computed net of 144,000 SMB Shares held as treasury shares as at the LPD. The percentage shareholdings also include the indirect interest held through Scomi Energy Sdn Bhd.*

\# *After the completion of the proposed acquisition by SGB of the entire issued and paid-up ordinary share capital of SSSB from Scomi Chemicals Sdn Bhd for a purchase consideration of RM5,573,750 to be satisfied via an amount owing from SGB to Scomi Chemicals Sdn Bhd.*

As at the date of the printing of this Circular, save for the approval of the Controller of Foreign Exchange of Bank Negara Malaysia for the proposed acquisitions by SMB of SCPE's and FII's respective holdings in the share capital of SOL, the approval of the investment committee of SCPE and FII and the consent of the Controller of Foreign Exchange of the Bermuda Monetary Authority for SMB to hold the entire issued and paid-up ordinary and preference shares of SOL pursuant to the proposed acquisitions of SOL, SSSB and SKMC by SMB, all which have been obtained, the Proposed Disposals is still pending the approvals from the other relevant authorities and the shareholders of the Company and SMB respectively as stated in the Company's announcement on the Proposed Disposals dated 24 July 2012.

5.1 Economy overview

(i) Overview and outlook of the global economy

Following two years of anaemic and uneven recovery from the global financial crisis, the world economy is teetering on the brink of another major downturn. Output growth has already slowed considerably during 2011, especially in the developed countries. The baseline forecast foresees continued anaemic growth during 2012 and 2013. Such growth is far from sufficient to deal with the continued jobs crises in most developed economies and will drag down income growth in developing countries.

The problems stalking the global economy are multiple and interconnected. The most pressing challenges are the continued jobs crisis and the declining prospects for economic growth, especially in the developed countries. As unemployment remains high, at nearly 9 per cent, and incomes stagnate, the recovery is stalling in the short run because of the lack of aggregate demand. But, as more and more workers remain out of a job for a long period, especially young workers, medium-term growth prospects also suffer because of the detrimental effect on workers' skills and experience.

The rapidly cooling economy is both a cause and an effect of the sovereign debt crises in the euro area, and of fiscal problems elsewhere. The sovereign debt crises in a number of European countries worsened in the second half of 2011 and aggravated the weaknesses in the balance sheets of banks sitting on related assets. Even bold steps by the Governments of the euro area countries to reach an orderly sovereign debt workout for Greece were met with continued financial market turbulence and heightened concerns of debt default in some of the larger economies in the euro zone, Italy in particular.

(Source: World Economic Situation and Prospects 2012, United Nations)

The world economic environment remained challenging in the third quarter of 2012. Growth in the advanced economies was uneven with the US economy experiencing an improvement while several other major advanced economies continued to experience weak growth, constrained by fiscal adjustments, sluggish labour markets and impaired financial intermediation. In Asia, economic activity moderated due mainly to further weakness in external demand arising from the uncertain global environment. Amid the challenging global economic conditions, the Malaysian economy recorded a growth of 5.2% (2Q 12: 5.6%) during the quarter. Growth was affected by slower external demand, which resulted in a further decline in net real exports of goods and services. Domestic demand however, continued to provide support to growth, supported by the favourable performance of private consumption and investment activity by both the private and public sectors.

Recent economic indicators suggest some stabilisation in global growth going forward. Nevertheless, risks remain arising from continued policy uncertainties in several key economies. In particular, policymakers in these economies face a challenging task of weighing crucial decisions on issues related to fiscal consolidation and key reforms to address the underlying structural weaknesses that impedes economic recovery.

(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2012, Bank Negara Malaysia)

(ii) Overview and outlook of the Malaysian economy

The Malaysian economy expanded at a faster pace of 5.1% during the first half of 2012 (January - June 2011: 4.7%) despite the increasingly challenging global economic conditions. Growth in the domestic economy was supported by strong private consumption and robust private investment. The global economy is expected to further moderate during the second half of 2012 as the euro area debt crisis shows no clear signs of abating. Additionally, tepid economic growth in advanced economies and the slowdown of emerging economies especially in China and India, point to weakening global economic prospects. The deterioration in the external environment and correction in commodity prices are expected to weigh on Malaysia's export performance during the second half of 2012. Nevertheless, the vibrant domestic demand is expected to be sustained during the second half of 2012, supported by both public and private sectors amid conducive financial market conditions, stable prices and a favourable labour market. Taking into account the downside risks emanating from the external sector and a resilient domestic economy, the real GDP is estimated to expand 4.5% - 5% in 2012 (2011: 5.1%).

Domestic demand will be the main driver of the Malaysian economy supported by private and public sector expenditure. Growth in private consumption is expected to be buoyed by stable employment and income coupled with lower inflation. Private investment is envisaged to drive economic growth over the medium term, underpinned by the ongoing implementation of the Economic Transformation Programme and vibrant construction activity. Growth in private investment will be broad-based in line with positive investors' confidence and strong domestic demand. Public investment will be largely led by the Non-Financial Public Enterprises' ("**NFPEs**") capital spending on oil and gas, telecommunications and transport-related industries.

On the supply side, growth in 2012 is expected to emanate from the services and manufacturing sectors with the construction sector playing a stronger role in supporting the economy. The strong growth in the services sector is largely due to buoyant wholesale and retail trade, communication, accommodation and restaurants well as business services subsectors. Manufacturing output, especially domestic-oriented industries, is expected to expand steadily in tandem with strong domestic activities. The construction sector is expected to register a double-digit growth backed by the ongoing implementation of various government projects, particularly large-scale projects such as the Sabah Oil and Gas Terminal, Second Penang Bridge and offshore pipeline for Gumusut-Kakap, Sabah.

The Malaysian economy is expected to strengthen further and projected to grow at a faster rate of 4.5% - 5.5% in 2013. Growth will be supported by improving exports and strong domestic demand on the assumption that global growth will pick up, especially during the second half of 2013. The growth projection is premised upon the expectation of an improvement in the resolution of the debt crisis in the euro area and stronger growth momentum in the economies of Malaysia's major trading partners. Domestic demand is expected to maintain its strong momentum driven by robust private investment and strong private consumption. Private sector activity will be supported by an accommodative monetary policy in an environment of low inflation coupled with a robust financial sector. Recovery in the external sector, particularly increasing external demand from regional economies and major trading partners will further provide the impetus for a private-led growth. The overall public expenditure is expected to increase, led by higher NFPE's capital investment which will further augment growth. Thus, nominal gross national income per capita is expected to increase 6.4% to RM32,947 (2012: 4.4%; RM30,956). In terms of purchasing power parity, per capita income is expected to grow 4.4% to reach United States Dollars ("**USD**") 16,368 (2012: 3.2%; USD15,676).

(Source: Economic Report 2012/2013, Ministry of Finance)

5.2 Industry outlook

5.2.1 Outlook for the oil, gas and energy industry

(i) Overview and outlook for the global oil, gas and energy industry

Over the period 2010-2035, primary energy demand increases by 51%. Fossil fuels, currently accounting for 87% of the energy supply, will still make up 82% of the global total by 2035. For most of the projection period, oil will remain the energy type with the largest share. However, by 2035 it will have been overtaken by coal use, which will represent 29% of the total energy, similar to today, while oil's share falls from 34% to 28%. Gas use will rise at faster rates than either coal or oil, both in percentage terms and volumes, with its share rising from 23% to 25%.

The key to future demand growth is the transportation sector of non-Organisation for Economic Co-operation and Development (non-"**OECD**") countries, which accounts for 88% of the oil demand increase over the period to 2035. Development countries are also expected to see some rise in oil use in other sectors, particularly in industry – petrochemicals and other industrial uses – as well as in the residential/commercial/agricultural sector. Globally, the small amount of oil still used for electricity in demand in road transportation due to efficiency improvements, as well as saturation effects that slow down the rate of increases in vehicle ownership.

*(Source: World Oil Outlook 2011, Organisation of Petroleum Exporting Countries ("**OPEC**"))*

Global investment in energy supply infrastructure of $38 million (in year-2010 dollars) is required over the period 2011 to 2035. Almost two-thirds of the total investment is in countries outside of the OECD. Oil and gas collectively account for almost $20 trillion, as both the need for upstream investment and the associated cost rise in the medium and long term. The power sector claims most of the remainder, with over 40% of this being for transmission and distribution networks.

The age of fossil fuels is far from over, but their dominance declines. Demand for all fuels rises, but the share of fossil fuels in global primary energy consumption falls slightly from 81% in 2010 to 75% in 2035; natural gas is the only fossil fuel to increase its share in the global mix over the period to 2035. In the power sector, renewable energy technologies, led by hydropower and wind, account for half of the new capacity installed to meet growing demand. The share of non-hydro renewables in power generation increases from 3% in 2009 to 15% in 2035, underpinned by annual subsidies to renewables that rise almost five-times to $180 billion. China and the European Union drive this expansion, providing nearly half of the growth.

(Source: World Energy Outlook, 2011 © OECD/International Energy Agency 2011)

(ii) Overview and outlook for the Malaysian oil, gas and energy industry

Petroliam Nasional Berhad (PETRONAS) has intensified its exploration activities to increase domestic oil and gas reserves, resulting in the discovery of two new oil fields in offshore Peninsular Malaysia (Irong 6 and Bertam 2) as at end-June 2012. In line with the Government's incentives for the development and production of marginal oil fields, PETRONAS has signed several new Production Sharing Contracts involving offshore and deep-water explorations in Sabah and Sarawak to sustain production and increase the lifespan of the reserves. As at 1 January 2012, crude oil reserves stood at 5.95 billion barrels and are estimated to last 29 years (1 January 2011: 5.88 billion barrels; 25 years).

Output of natural gas declined 5.3% to 5,616 million standard cubic feet per day (mmscfd) during the first seven months of 2012 (January – July 2011: -0.1%; 5,933 mmscfd) mainly due to operational challenges. However, for 2012, production of natural gas is expected to expand 5.5% to 6,259 mmscfd (2011: 0.3%; 5,932 mmscfd) resulting from the increase in production capacity to meet growing domestic demand, particularly from power producers and petrochemical industries. As at end-June 2012, the discovery of six new gas fields in offshore Peninsular Malaysia, Sabah and Sarawak will further increase production of gas and reserves in Malaysia. In addition, the completion of the LNG Regasification Terminal in Melaka is expected to ensure a sufficient supply of gas to meet domestic demand in Peninsular Malaysia. Gas reserves stood at 92.1 trillion standard cubic feet as at 1 January 2012, sufficient to last 37 years (1 January 2011: 88.9 trillion standard cubic feet' 39 years).

(Source: Economic Report 2012/2013, Ministry of Finance)

5.2.2 Outlook for the rail industry

(i) Overview and outlook for the global rail industry

The rail supply industry has significantly outgrown the world economy, seeing its share of global GDP rise from 0.31% in 2004 to 0.38% in 2010. Demand for passenger rail was scarcely affected by the recent economic downturn. Accordingly, market volumes – driven by orders for new rolling stock and infrastructure and, subsequently, by orders for the servicing of these new assets – have suffered only in the freight segment, but recovered fast.

In addition to the overall positive conditions for rail transportation referred to above (e.g. ongoing urbanisation and the scarcity of fossil fuels), a further stabilising factor is the prevalence of public/government support for railways (especially for regional and urban passenger transportation) in many countries. Much of this public support is bound up in long-term contracts (some of which run for over 15 years). This means that funding for additional orders and further extension of both rail infrastructures and rolling stock will remain available for the foreseeable future.

Going forward, the worldwide market for rail supply is set to maintain its growth trajectory. A growth rate of 2.6% per annum is forecast for the next six years, leading to a total market volume of just under EUR 170 billion per annum by 2017.

The growth markets of the recent past – essentially, countries in the Asia and Pacific region – will continue to play a strong role. Rapid growth in the past has firmly established this region as a main pillar of the global rail supply market.

However, as the significance and advantages of rail transportation attain greater prominence in other countries, more fast-growing markets for rail supply are now emerging too.

The new Association of the European Rail Industry ("**UNIFE**") study therefore concludes that the rail supply market will continue to experience robust demand as mature regions such as Western Europe and NAFTA are flanked by continued progress in the maturing Asia and Pacific region and further supplemented by additional emerging markets in Latin America and the Middle East.

(Source: UNIFE World Rail Market Study 2012 – Status Quo and Outlook 2017)

(ii) Overview and outlook for the Malaysian rail industry

Investments in public transport will focus on enhancing the efficiency of existing systems that already operate at their limits of capacity as well provide capacity to accommodate future growth. Efforts at increasing public transport capacity will be carried out across large urban areas, such as Greater KL as well as medium sized cities across the nation.

In Greater KL, a major initiative to improve the capacity of the Light Rail Transit (LRT) lines is the 34-km extension of the existing lines. In addition, the full delivery of the 35 sets of new four-car trains will increase the capacity of the Kelana Jaya LRT line from approximately 24,000 to 98,000 passengers per hour and allow the reduction in headways from 3.3 minutes to 2.0 minutes during peak hours. To improve connectivity between the KTM Komuter, LRT and Monorail systems, a potential extension of the monorail system will be considered. The capacity of the KTM Komuter system will be augmented with the purchase of 38 new six-car Electric Multiple Units (EMUs) to be delivered by 2012 which will benefit over 500,000 commuters daily. To further expand capacity, a 49-km Greater KL BRT System consisting of three major corridors will be implemented.

Given the accelerated growth trajectory of Greater KL, a high-capacity mass rapid transit system will be implemented to meet future demand of thousands of commuters moving in and out of the city daily.

The 197-km extension of the electrified doubletrack project (DTP) from Gemas to Johor Bahru will increase KTM's track capacity by 5 to 10 times and allow for significant reduction in journey times. With the full completion of the DTP project, from Johor Bahru in the south to Padang Besar in the north during the Plan period, total passenger traffic is expected to increase from 4.3 million passengers in 2009 to 5.7 million passengers by 2015 and freight traffic from 5.2 million tonnes to 8.5 million tonnes over the same period. In the east coast of Peninsular Malaysia and Sabah, rail services will be enhanced by modernisation of facilities and technologies to increase access to rural areas.

(Source: Tenth Malaysia Plan 2011-2015)

5.3 Prospects of the SGB Group

The principal businesses of the SGB Group are the provision of oilfield services, transportation solutions and energy logistics.

(i) Oilfield services

The oilfield services business carried out by SOL (which will be a wholly-owned subsidiary of SMB post completion of the Proposed Disposals), comprises the following:

(a) drilling fluids business which provides drilling fluids and related engineering services including the construction and operation of, milling or grinding facilities, liquid mud, brine and blending plants; and

(b) drilling waste management business which offers a complete engineered package for the entire drilling waste management process which includes trained on-site specialists to constantly monitor the whole process from installation to maintenance and management.

Presently, the oilfield services business of the Group has operations in both the Eastern and Western hemispheres. The poor performance of the Western hemisphere's business in 2011 was primarily due to the economic instability in the US and Europe which began during the financial crisis in 2008. Though the Group will continue its oilfield operations in the Western hemisphere, the scale of its operations has reduced significantly via outright divestments as well as through joint ventures with the local parties within those foreign jurisdictions. The Board intends to gradually exit from the Western hemisphere's oilfield services business over time given that the strategy of the Group is to reposition itself by focusing on the Eastern hemisphere where SMB will be operating in.

In addition to the services currently provided under the oilfield services division, the Group intends to expand the scope of services to cover multiple drilling services as well as integrated project management via partnerships with foreign partners with such expertise and technology.

(ii) Transportation solutions

The transportation solutions business is undertaken by the SEB Group. SEB is also listed on the Main Market of Bursa Securities. The principal focus of the transportation solutions business is on the design and manufacturing of a diverse range of products, provision of solutions for the transportation industry which includes the Middle-East and Asia-Pacific markets.

The SEB Group provides a range of solutions ranging from monorail systems, buses and special purpose vehicles (i.e. petrol tankers, refuse compactors, vacuum tankers etc.). The transportation division will continue to pursue opportunities and bid for projects in Malaysia and internationally particularly in Brazil and India where the SEB Group already has a presence, and in other markets where local governments intend to implement monorail projects in order to become a global transportation provider.

The SEB Group will also move towards becoming an operations and maintenance provider. Such services, if required, will be carried out after the completion of the engineering, procurement and construction contract with its clients.

(iii) Energy logistics

The energy logistics business is undertaken by the SMB Group with the principal focus of providing marine vessels to the energy sector namely the coal and oil and gas industries. The SMB Group offers 2 distinct operations, namely the marine logistics services and offshore support services. The marine logistics services provide transportation of bulk aggregates for the coal industry while offshore support services provides various types of vessels to the offshore oil and gas industry. Given the demand for offshore drilling activities, the strategy of the SMB Group in the offshore segment is to focus on investments in vessels such as accommodation barges and platform supply vessels where there is demand from customers. The markets which the SMB Group is focusing in are Indonesia and Malaysia, where the SMB Group already has presence.

Going forward, the strategy of the Board is to focus on the oil and gas sector with an expanded scope of services, as well as urban transport in emerging markets in particular China, India and Brazil. The Board believes the Eastern hemisphere, in particular the Association of Southeast Asian Nation (ASEAN) region, offers huge growth potential for the SMB Group's businesses given the large spending by the local government as well as the national oil companies which is expected to spur economic growth.

(Source: Management of SGB)

6. EFFECTS OF THE PROPOSED BONDS ISSUE

For illustration purposes, we set out the effects of the Proposed Bonds Issue based on the following scenarios as at LPD:

Minimum Scenario : Assuming that:

(i) none of the 73,395,000 options granted pursuant to SGB's employees' share option scheme ("**ESOS Options**") which are exercisable into 73,395,000 new SGB Shares as at the LPD ("**Outstanding ESOS Options**") are exercised into new SGB Shares;

(ii) the Bonds are converted into 301,369,863 new SGB Shares at the conversion price of RM0.365 per Share immediately upon issuance; and

(iii) none of the Treasury Shares are resold in the open market or distributed to the shareholders of SGB.

Maximum Scenario : Assuming that:

(i) all of the 36,364,000 Outstanding ESOS Options which are exercisable into 36,364,000 new SGB Shares at an exercise price of up to RM0.50 ("**ESOS Options Potentially Exercised**") as at the LPD are exercised into new SGB Shares;

(ii) the Bonds are automatically converted into 348,873,287 new SGB Shares at the conversion price of RM0.365 per Shares upon maturity of the Bonds; and

(iii) none of the Treasury Shares are resold in the open market or distributed to the shareholders of SGB.

6.1 Share Capital

The Proposed Bonds Issue will not have any immediate effect on the existing issued and paid-up share capital of the Company. However, if and when the Bonds are converted in the future, the issued and paid-up share capital of SGB will increase accordingly.

For illustrative purposes, the proforma effects of the Proposed Bonds Issue on the issued and paid-up share capital of SGB, assuming the issuance of RM110 million nominal value of the Bonds, are as follows:

	Minimum Scenario		**Maximum Scenario**	
	No. of Shares	**RM**	**No. of Shares**	**RM**
As at LPD*	1,550,460,854	155,046,085.40	1,550,460,854	155,046,085.40
To be issued upon exercise of the ESOS Options Potentially Exercised	-	-	36,364,000	3,636,400.00
To be issued assuming full conversion of the Bonds upon issuance / maturity	301,369,863	30,136,986.30	348,873,287	34,887,328.70
Enlarged issued and paid-up share capital	1,851,830,717	185,183,071.70	1,935,698,141	193,569,814.10

*Note : * Includes the Treasury Shares*

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6.2 NA per share and gearing

For illustrative purposes only, based on the audited consolidated statement of financial position of SGB as at 31 December 2011 and on the assumption that the Proposed Bonds Issue had been effected on that date, the proforma effects of the Proposed Bonds Issue on the NA and gearing of the SGB Group are as follows:

Minimum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 31 December 2011	**[3]After the adjustment for early adoption of standards**	**[4]After (I) and the completed and pending transactions/ proposals**	**After (II) and the Proposed Bonds Issue**	**After (III) and the full conversion of the Bonds**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Share capital	118,769	118,769	155,046	155,046	185,183
Share premium	276,793	276,793	356,140	356,140	433,003
Treasury shares	(18,696)	(18,696)	(18,696)	(18,696)	(18,696)
Other reserves	(246,095)	(247,836)	(344,328)	[5](237,328)	(344,328)
Retained earnings	378,591	392,761	416,525	416,525	416,525
Shareholders' funds/NA	509,362	521,791	564,687	671,687	671,687
No. of SGB Shares in issue ('000)[1]	1,173,260	1,173,260	1,536,034	1,536,034	1,837,404
NA per SGB Share (RM)	0.43	0.44	0.37	0.44	0.37
Total borrowings	1,065,693	1,094,656	958,241	897,241	897,241
Gearing (times)[2]	2.09	2.10	1.70	1.34	1.34

Maximum Scenario

	Audited as at 31 December 2011 (RM'000)	(I) [3]After the adjustment for early adoption of standards (RM'000)	(II) [4]After (I) and the completed and pending transactions/ proposals (RM'000)	(III) After (II) and the Proposed Bonds Issue (RM'000)	(IV) After (III) and the full conversion of the Bonds (RM'000)
Share capital	118,769	118,769	158,683	158,683	193,570
Share premium	276,793	276,793	365,426	365,426	437,539
Treasury shares	(18,696)	(18,696)	(18,696)	(18,696)	(18,696)
Other reserves	(246,095)	(247,836)	(344,328)	[5](237,328)	(344,328)
Retained earnings	378,591	392,761	416,525	416,525	416,525
Shareholders' funds/NA	509,362	521,791	577,610	684,610	684,610
No. of SGB Shares in issue ('000)[1]	1,173,260	1,173,260	1,572,398	1,572,398	1,921,271
NA per SGB Share (RM)	0.43	0.44	0.37	0.44	0.36
Total borrowings	1,065,693	1,094,656	958,241	897,241	897,241
Gearing (times)[2]	2.09	2.10	1.66	1.31	1.31

Notes:

(1) Computed net of Treasury Shares.

(2) Calculated as total interest bearing borrowings over shareholders' funds.

(3) The Board had resolved to early adopt FRS 10: Consolidated Financial Statements, FRS 11: Joint arrangements, FRS 12: Disclosure of interest in other entities, FRS 127: Separate Financial Statements (revised) and FRS 128: Investments in Associates and Joint Ventures (revised) for purposes of illustrating the proforma effects. This is to reflect the planned adoption of the equivalent financial reporting standards in the FYE 31 December 2012. As a result of early adoption of FRS 10, SGB controls SMB.

(4) Refers to the following events as announced by SGB subsequent to 31 December 2011 (The relevant foreign exchange rates quoted herein refers to that as per announced by SGB):

*(i) The disposals by Scomi Marine Services Pte. Ltd.("**SMS**"), an indirect subsidiary of SGB, of its entire equity interest in CH Logistics Pte. Ltd. and its wholly-owned subsidiary, Sea Master Pte. Ltd., CH Ship Management Pte. Ltd. and Grundtvig Marine Pte. Ltd and its 95% owned subsidiary, PT Batuah Abadi Lines to PT Rig Tenders Indonesia TBK, a 80.54% owned subsidiary of SMS, for a total consideration of USD57.0 million (equivalent to approximately RM170.7 million), which was completed on 12 April 2012;*

(ii) The acquisitions by SNPL of the remaining 49.9% equity interest in Titan Tubulars Nigeria Ltd from Enercon Nigeria Limited for a purchase consideration of RM10.7 million (USD3.5 million), which was completed on 30 April 2012;

(iii) The disposal by SOCL of its entire 99.6% equity interest in Scomi Oiltools Kish Limited to Behnam Mousavi Moustafa for a total sale consideration of USD17,000,000 (equivalent to approximately RM52,096,500), which was completed on 23 April 2012;

(iv) The termination of SMB's employees' share option scheme, of which became effective on 18 October 2005 and which was to expire on 17 October 2015, which was completed on 26 June 2012;

*(v) The disposal by SOEL, an indirect subsidiary of SGB, of Scomi Oiltools AS ("**SOAS**") to Knud Holm Prosjekt AS for a total sale consideration of NOK115,000 (equivalent to approximately RM61,000). SOEL had also disposed the assets and liabilities of its Norwegian Branch to SOAS for a total sale consideration of NOK20 million (equivalent to approximately RM10.4 million), which was completed on 2 July 2012;*

(vi) The capital repayment to the shareholders of SMB via a cash distribution on the basis of RM0.185 for every existing ordinary share of RM1.00 each in SMB held as at 5.00 p.m. on 17 August 2012 and the set-off of the entire accumulated losses of SMB and estimated expenses relating to the capital repayment and the said set-off. The capital repayment was completed on 29 August 2012 and the set-off was completed on 28 September 2012;

*(vii) The disposal of the assets and liabilities of Scomi Oiltools (Shetland) Limited to SOEL for a consideration of RM0.6 million (GBP0.1 million), which was completed on 31 May 2012, the disposal of SOEL's business to Woodside North Sea Services Ltd ("**WNSSL**") for a total consideration of RM13.3 million (GBP2.7 million), which was satisfied via the issuance of 100 new ordinary shares in WNSSL on 31 May 2012 and the proposed disposal by SOEL of its 70 ordinary shares of WNSSL to Augen plc for a consideration of RM10.1 million (GBP2.0 million), which was completed on 3 September 2012;*

(viii) The completion of the Proposed Placement with the listing of the new SGB Shares on Bursa Securities on 3 October 2012;

(ix) The disposal by SGB of its 100% equity interest in SNPL together with its subsidiaries to AOS Orwell Limited for a total cash consideration of USD39.77 million (or an equivalent of approximately RM123.90 million), which was completed on 17 October 2012;

(x) Incorporating the exercise of 20,068,332 Warrants up to 14 December 2012 (being the expiry date of the Warrants) which resulted in the issuance of 20,068,332 new SGB Shares and the full conversion of the 875,079,717 outstanding ICSLS as at 31 December 2011 which resulted in the issuance of 218,769,875 new SGB Shares.

(xi) Assuming the exercise of the ESOS Options Potentially Exercised based on the minimum and maximum scenarios as at the LPD respectively;

(5) Net proceeds of the Proposed Bonds Issue of RM107.0 million after deducting estimated expenses of RM3.0 million from the gross proceeds of RM110.0 million.

6.3 Substantial shareholders' shareholdings

The Proposed Bonds Issue will not have an immediate effect on the substantial shareholders' shareholdings in SGB. However, if and when the Bonds are converted in the future, the percentage shareholdings of IJM will increase and the remaining substantial shareholders will be diluted accordingly, the quantum of which is dependent on the conversion of the Bonds.

For illustrative purposes, the proforma effects of the Proposed Bonds Issue on the substantial shareholders' shareholdings in SGB are set out as follows:

Minimum Scenario

					(I)				(II)			
	Existing as at LPD				After the issuance of the Bonds				After (I) and the full conversion of the Bonds upon issuance			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholder	**No. of Shares '000**	***%**	**No. of Shares '000**	***%**	**No. of Shares '000**	***%**	**No. of Shares '000**	***%**	**No. of Shares '000**	***%**	**No. of Shares '000**	***%**
Kaspadu Sdn Bhd	[(a)]85,753	5.58	[(b)(c)]86,522	5.63	[(a)]85,753	5.58	[(b)(c)]86,522	5.63	[(a)]85,753	4.67	[(b)(c)]86,522	4.71
Onstream Marine Sdn Bhd	[(c)]86,522	5.63	-	-	[(c)]86,522	5.63	-	-	[(c)]86,522	4.71	-	-
Shah Hakim @ Shahzanim bin Zain	[(d)]4,336	0.28	[(e)]172,275	11.22	[(d)]4,336	0.28	[(e)]172,275	11.22	[(d)]4,336	0.24	[(e)]172,275	9.38
Dato' Kamaluddin bin Abdullah	-	-	[(e)]172,275	11.22	-	-	[(e)]172,275	11.22	-	-	[(e)]172,275	9.38
Tan Sri Abu Sahid Mohamed	104,177	6.78	-	-	104,177	6.78	-	-	104,177	5.67	-	-
IJM	119,110	7.75	-	-	119,110	7.75	-	-	420,479	22.88	-	-
Amadia Investments Ltd	[(f)]151,637	9.87	-	-	[(f)]151,637	9.87	-	-	[(f)]151,637	8.25	-	-
TAEL One Partners Ltd (acting in its capacity as the general partner of The Asian Entrepreneur Legacy One, L.P.)	-	-	[(g)]151,637	9.87	-	-	[(g)]151,637	9.87	-	-	[(g)]151,637	8.25
United Overseas Bank Limited	-	-	[(g)]151,637	9.87	-	-	[(g)]151,637	9.87	-	-	[(g)]151,637	8.25

Maximum Scenario

Substantial shareholder	Existing as at LPD				(I) After the exercise of the ESOS Options Potentially Exercised				(II) After (I) and the issuance of the Bonds				(III) After (II) and the full conversion of the Bonds upon maturity			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%	No. of Shares '000	*%
Kaspadu Sdn Bhd	(a)85,753	5.58	(b)(c)86,522	5.63	(a)85,753	5.45	(b)(c)86,522	5.50	(a)85,753	5.45	(b)(c)86,522	5.50	(a)85,753	4.46	(b)(c)86,522	4.50
Onstream Marine Sdn Bhd	(c)86,522	5.63	-	-	(c)86,522	5.50	-	-	(c)86,522	5.50	-	-	(c)86,522	4.50	-	-
Shah Hakim @ Shahzanim bin Zain	(d)4,336	0.28	(e)172,275	11.22	(d)4,336	0.28	(e)172,275	10.96	(d)4,336	0.28	(e)172,275	10.96	(d)4,336	0.23	(e)172,275	8.97
Dato' Kamaluddin bin Abdullah	-	-	(e)172,275	11.22	-	-	(e)172,275	10.96	-	-	(e)172,275	10.96	-	-	(e)172,275	8.97
Tan Sri Abu Sahid Mohamed	104,177	6.78	-	-	104,177	6.63	-	-	104,177	6.63	-	-	104,177	5.42	-	-
IJM	119,110	7.75	-	-	119,110	7.58	-	-	119,110	7.58	-	-	467,983	24.36	-	-
Amadia Investments Ltd	(f)151,637	9.87	-	-	(f)151,637	9.64	-	-	(f)151,637	9.64	-	-	(f)151,637	7.89	-	-
TAEL One Partners Ltd (acting in its capacity as the general partner of The Asian Entrepreneur Legacy One, L.P.)	-	-	(g)151,637	9.87	-	-	(g)151,637	9.64	-	-	(g)151,637	9.64	-	-	(g)151,637	7.89
United Overseas Bank Limited	-	-	(g)151,637	9.87	-	-	(g)151,637	9.64	-	-	(g)151,637	9.64	-	-	(g)151,637	7.89

Notes:

* *The percentage shareholdings have been computed net of Treasury Shares.*
(a) *Held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and A.A. Anthony Nominees (Tempatan) Sdn Bhd.*
(b) *Deemed interested by virtue of Section 6A(4) of the Act through its shareholdings in Onstream Marine Sdn Bhd.*
(c) *85,396,630 SGB Shares held through UOBM Nominees (Tempatan) Sdn Bhd.*
(d) *3,806,500 SGB Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain.*
(e) *Deemed interested by virtue of Section 6A(4) of the Act through his shareholdings in Kaspadu Sdn Bhd.*
(f) *Held through UOBM Nominees (Asing) Sdn Bhd for TAEL One Partners Ltd for Amadia Investments Ltd and HLG Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients).*
(g) *Deemed interested by virtue of Section 6A(4) of the Act through its shareholding in The Asian Entrepreneur Legacy One, L.P.*

6.4 Earnings and EPS

Subject to the relevant approvals being obtained, the Proposed Bonds Issue is expected to contribute positively to the earnings of the SGB Group during the FYE 31 December 2013. However, the effect on EPS as a result of the Proposed Bonds Issue would depend on the actual quantum of the Bonds redeemed/converted during the tenure of the Bonds.

For illustration purposes only, the proforma effects of the Proposed Bonds Issue on the earnings of the SGB Group on the assumption that the Proposed Bonds Issue had been completed on 1 January 2011, being the beginning of the FYE 31 December 2011 are as follows:

	LATAMI RM'000	**LPS sen**
Audited LATAMI	(232,332)	[1](19.80)
Add: Interest savings from the repayment of bonds via the proceeds received from the Proposed Bonds Issue	2,366	
Proforma audited LATAMI after the Proposed Bonds Issue	(229,966)	[2](15.22)
Add: Interest savings from the repayment of bonds via the proceeds received from the Placement	7,886	
Proforma audited LATAMI after the Placement	(222,080)	[2](14.70)
Assuming the Bonds are converted immediately upon issuance	(222,080)	[3](12.25)
Assuming the Bonds are converted upon maturity	(222,080)	[2](14.70)
Assuming the Bonds are redeemed upon maturity	(222,080)	[2](14.70)

Notes:

(1) Computed based on 1,391,731,000 SGB Shares, net of Treasury Shares.
(2) Computed based on 1,510,841,000 SGB Shares (including 119,110,000 SGB Shares issued pursuant to the Placement).
(3) Computed based on 1,812,211,000 SGB Shares (including 119,110,000 SGB Shares issued pursuant to the Placement and 301,370,000 SGB Shares converted from the Bonds).

6.5 Convertible Securities

Save for the Outstanding ESOS Options, SGB does not have any other convertible securities.

Pursuant to the terms of the by-laws governing the ESOS Options, the Proposed Bonds Issue would not give rise to an adjustment to the number and exercise price of the ESOS Options.

7. APPROVALS REQUIRED

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

(i) the SC for the issuance of the Bonds, which was obtained via its letter dated 13 December 2012.

The approval from the SC is conditional upon the submission of a checklist of compliance with the standard approval conditions and continuing obligations as stipulated in the Private Debt Securities Guidelines and any other condition imposed in any other letter issued in connection with the Proposed Bonds Issue prior to the issue of the Bonds.

(ii) Bursa Securities, which was obtained via its letter dated 14 January 2013 for the listing of and quotation for up to 348,873,287 new SGB Shares to be issued arising from the conversion of the Bonds.

The approval of Bursa Securities for the Proposed Bonds Issue is subject to the following conditions:

	Conditions imposed	Status of compliance
(a)	SGB and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonds Issue;	To be met
(b)	SGB and HLIB to inform Bursa Securities upon the completion of the Proposed Bonds Issue; and	To be met
(c)	SGB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonds Issue is completed.	To be met

(iii) the shareholders of SGB at the forthcoming EGM; and

(iv) any other relevant authorities, if required.

8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save as disclosed below, none of the Directors and major shareholders of the Company or persons connected to them has any interest, direct and/or indirect, in the Proposed Bonds Issue.

IJM, the sole subscriber of the Proposed Bonds Issue, is a substantial shareholder of SGB. In addition, Dato' Teh Kean Ming, the Chief Executive Officer and Managing Director of IJM, is also a Non-Independent Non-Executive Director of SGB, who was appointed to the Board on 22 October 2012, after the execution of the Bonds Subscription Agreement. Dato' Teh Kean Ming has no direct and/or indirect shareholdings in SGB.

Accordingly, IJM and Dato' Teh Kean Ming are deemed interested in the Proposed Bonds Issue. As such, IJM will abstain from voting, in respect of their direct and/or indirect shareholdings in SGB, on the resolution in connection with the Proposed Bonds Issue to be tabled at the forthcoming EGM of the Company. In addition, IJM and Dato' Teh Kean Ming have undertaken that they will ensure that the persons connected to them will abstain from voting on the resolution in connection with the Proposed Bonds Issue to be tabled at the forthcoming EGM of the Company. Dato' Teh Kean Ming has also abstained and will continue to abstain from all deliberations and voting at the Board meetings in relation to the Proposed Bonds Issue.

9. DIRECTORS' RECOMMENDATION

The Board, save for Dato' Teh Kean Ming, having considered and deliberated on all aspects of the Proposed Bonds Issue including the potential synergies with the IJM Group and the rationale and effects of the Proposed Bonds Issue, is of the opinion that the Proposed Bonds Issue is in the best interests of the Company. Accordingly, the Board, save for Dato' Teh Kean Ming, recommends that you vote in favour of the resolution pertaining to the Proposed Bonds Issue to be tabled at the forthcoming EGM of the Company.

10. CORPORATE PROPOSALS WHICH HAVE BEEN ANNOUNCED BUT NOT YET COMPLETED

Save as disclosed as below and the Proposed Bonds Issue, there are no other corporate proposals which have been announced but not yet completed as at the LPD:

(i) the proposed disposals by the Company of the following to SMB:

(a) 76.08% of the issued and paid-up ordinary and preference shares of SOL to SMB for a total disposal consideration of RM776.03 million comprising of a base sum of RM575.26 million to be satisfied by the issuance of 1,223,949,234 new SMB Shares at an issue price of RM0.47 per SMB Share, and the assumption by SMB of the SOL receivables;

(b) the entire issued and paid-up ordinary share capital of SSSB to SMB for a total disposal consideration of RM6.71 million and the assumption by SMB of an amount owing by SSSB to SGB to be satisfied by way of the SMB assignment of intercompany loans and the balance, if any, to be satisfied in cash; and

(c) 48% of the issued and paid-up ordinary shares of SKMC for a disposal consideration of RM769,911 to be satisfied in cash.

(collectively known as the "**Proposed Disposals**")

(ii) After the completion of the disposal by SOL of 76.08%, 16.71% and 7.21% equity interest in SOBL to SGB, SCPE and FII respectively on 8 November 2012 for a total disposal consideration of USD103,902,000 (equivalent to approximately RM327,343,251) ("**SOBL Disposal**"), the proposed disposals by SOBL to SOL of the following:

(a) 100% equity interest in SOSB for a disposal consideration of USD29,172,000 (equivalent to RM91,906,386);

(b) 51% equity interest in Scomi Oiltools Oman LLC for a disposal consideration of USD1,922,000 (equivalent to RM6,055,261);

(c) 100% equity interest in SOPL for a disposal consideration of USD8,943,000 (equivalent to RM28,174,922), which was completed on 14 December 2012;

(d) 99.95% equity interest in SOES for a disposal consideration of USD3,669,000 (equivalent to RM11,559,185);

(e) 99.99% equity interest in SOT for a disposal consideration of USD7,146,000 (equivalent to RM22,513,473), which was completed on 12 December 2012;

(f) 100% equity interest in KOB for a disposal consideration of USD1,841,000 (equivalent to RM5,800,071), which was completed on 19 December 2012;

(g) 50% equity interest in Vibratherm for a disposal consideration of USD1 (equivalent to RM3.15);

(h) 100% equity interest in SOCL for a disposal consideration of USD7,482,000 (equivalent to RM23,572,041), which was completed on 20 December 2012;

(i) 100% equity interest in Scomi Oiltools for a disposal consideration of USD11,852,000 (equivalent to RM37,339,726), which was completed on 20 December 2012;

(j) 100% equity interest in SOAL for a disposal consideration of USD28,265,000 (equivalent to RM89,048,883), which was completed on 20 December 2012; and

(k) 100% equity interest in KMCOB for a disposal consideration of USD1 (equivalent to RM3.15), which was completed on 31 December 2012.

(collectively, items (a) to (k) mentioned above are known as the "**Proposed SOBL Group Disposal**")

SGB, SCPE, FII, SOL and SOBL have entered into a Deed of Unwinding in respect of the unwinding of the SOBL Disposal and the Proposed SOBL Group Disposal in the event the disposal of 76.08% issued and paid-up ordinary and preference shares of SOL, to SMB for RM776.03 million does not complete or take effect.

(iii) the proposed acquisition by SGB of 16.71% and 7.21% equity interest in SOBL from SCPE and FII respectively for a purchase consideration of USD6,160,000 (equivalent to RM19,407,080) and the assumption of SCPE and FII's debt of RM15.2 million (USD4.8 million) owing to SOBL.

The Proposed Bonds Issue is not conditional upon any of the abovementioned corporate proposals.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Bonds Issue is expected to be completed in the first quarter of 2013.

12. EGM

The EGM will be held at Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 31 January 2013 at 2.30 p.m. or any adjournment thereof, for the purpose of considering and if deemed fit, passing the resolutions as set out in the notice of the EGM herein to approve and give effect to the Proposed Bonds Issue.

If you are unable to attend and vote in person at the forthcoming EGM, 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 EGM with the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan by Tuesday, 29 January 2013 at 2.30 p.m., or in the event that the EGM is adjourned, not less than 48 hours before the adjourned EGM. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM if you subsequently decide to do so.

13. FURTHER INFORMATION

You are requested to refer to the appendices for further information.

Yours faithfully,
for and on behalf of the Board
SCOMI GROUP BHD

Tan Sri Asmat bin Kamaludin
Chairman/Independent Non-Executive Director

pwc

REPORT ON PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Board of Directors
Scomi Group Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

14 January 2013

PwC/MBJ/NKH/fm/1399B2

Dear Sirs,

Report on Pro Forma Consolidated Financial Information

1 We report on the Pro Forma Consolidated Statements of Financial Position as at 31 December 2011 of Scomi Group Bhd ("the Company"), as attached (which we have stamped for the purpose of identification), which have been prepared for inclusion in the circular to shareholders in connection with the proposed issuance of convertible redeemable secured bonds of an aggregate nominal value of RM110.0 million ("Proposed Bonds Issue").

2 The Pro Forma Consolidated Statements of Financial Position have been prepared, for illustrative purposes only, to show the effects of the Adjustment for Early Adoption of Standards, Completed Transactions, Proposed Bonds Issue, Proposed Bonds Conversion and Exercise of ESOS Options (as disclosed in Notes 1.1, 1.2, 1.3, 1.4, and 1.5 respectively of the Pro Forma Consolidated Statements of Financial Position) presented on the audited consolidated statement of financial position as at 31 December 2011, had the Adjustment for Early Adoption of Standards, Completed Transactions, Proposed Bonds Issue , Proposed Bonds Conversion and Exercise of ESOS Options been effected on that date.

Responsibilities

3 It is the sole responsibility of the Directors of the Company to prepare the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes thereon.

4 It is our responsibility to form an opinion on the Pro Forma Consolidated Statements of Financial Position.

5 In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the preparation of the Pro Forma Consolidated Statements of Financial Position nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

The Board of Directors
Scomi Group Bhd
PwC/MBJ/NKH/fm/1399B2
14 January 2013

Basis of opinion

6 We conducted our work in accordance with the approved standard for assurance engagements in Malaysia, ISAE 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. Our work, which involved no independent examination of any of the underlying financial information, consisted of comparing unadjusted information with the audited consolidated financial statements of the Company, considering the evidence supporting the adjustments and discussing the Pro Forma Consolidated Statements of Financial Position with the Directors of the Company.

7 We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Consolidated Statements of Financial Position have been properly prepared on the basis stated, using financial statements prepared in accordance with Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the Company.

Our Opinion

8 In our opinion:

(a) the Pro Forma Consolidated Statements of Financial Position have been properly prepared on the basis set out in the notes, using financial statements prepared in accordance with Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of the Company except that these Pro Forma Consolidated Statements of Financial Position have been prepared assuming the early adoption of FRS 10: Consolidated Financial Statements, FRS 11: Joint Arrangements, FRS 12: Disclosure of Interests in Other Entities, FRS 127: Separate Financial Statements (Revised) and FRS 128: Investments in Associates and Joint Ventures (Revised); and

(b) each material adjustment made to the information used in the preparation of the Pro Forma Consolidated Statements of Financial Position is appropriate for the purposes of preparing such financial information.

Emphasis of Matter

9 We draw attention to the fact that, as the Pro Forma Consolidated Statements of Financial Position are prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Adjustment for Early Adoption of Standards, Completed Transactions, Proposed Bonds Issue, Proposed Bonds Conversion and Exercise of ESOS Options as disclosed on the financial position of the group had the transaction or event occurred at the date of statement of financial position. Further, such information does not purport to predict the group's future financial position.

pwc

The Board of Directors
Scomi Group Bhd
PwC/MBJ/NKH/fm/1399B2
14 January 2013

Other Matters

10 This report is issued for the sole purpose of inclusion in the circular to shareholders in connection with the Proposed Bonds Issue and should not be used or relied upon for any other purpose. We accept no duty of responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any transaction other than the Proposed Bonds Issue.

Yours faithfully,

PricewaterhouseCoopers
(AF 1146)
Chartered Accountants

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON

1.0 INTRODUCTION

The Pro Forma Consolidated Statements of Financial Position together with the notes thereon of Scomi Group Bhd ("SGB"), for which the Directors of SGB are solely responsible, have been prepared for illustrative purposes only, for the purpose of inclusion in this circular to shareholders issued in relation to the proposed issuance of convertible redeemable secured bonds of an aggregate nominal value of RM110.0 million ("Proposed Bonds Issue").

1.1 ADJUSTMENT FOR EARLY ADOPTION OF STANDARDS

As at 31 December 2011, SMB is an associate of SGB in which SGB has an effective equity interest of 42.76% in SMB. SMB has been equity accounted under FRS 128: Investments in Associates in the audited financial statements of SGB for the financial year ended 31 December 2011. The Directors have resolved to early adopt FRS 10: Consolidated Financial Statements, FRS 11: Joint arrangements, FRS 12: Disclosure of interest in other entities, FRS 127: Separate Financial Statements (revised) and FRS 128: Investments in Associates and Joint Ventures (revised).

As a result of early adoption of FRS 10, SGB controls SMB.

SGB has applied FRS 10 retrospectively in accordance with FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors. As SMB is a business, SGB measured the assets, liabilities and non-controlling interests in SMB on the date of initial application as if SMB had been consolidated from the date when SGB obtained control of SMB on the basis of the requirements of FRS 10, which took place on 30 September 2005. Therefore, the fair value of the assets and liabilities of SMB as at 30 September 2005 was used for consolidation, which resulted in a negative goodwill of RM16.3 million taken to the retained earnings.

1.2 COMPLETED TRANSACTIONS

1.2.1 DISPOSAL OF MLC

Scomi Marine Services Pte. Ltd. ("SMS"), an indirect subsidiary of SGB, disposed its entire equity interest in the following companies:

(a) CH Logistics Pte. Ltd. ("CHL") and its wholly-owned subsidiary, Sea Master Pte. Ltd. ("Sea Master");

(b) CH Ship Management Pte. Ltd. ("CHSM"); and

(c) Grundtvig Marine Pte. Ltd. ("GMPL") and its 95% owned subsidiary, PT Batuah Abadi Lines ("PBAL").

to PT. Tenders Indonesia TBK ("PTRT"), a 80.54%-owned subsidiary of SMS for a total consideration of RM179.9 million (USD57.0 million), which will be settled via an issuance of a vendor note to SMS.

CHL, Sea Master, CHSM, GMPL and PBAL are collectively referred to as "MLC".

The disposal was completed on 12 April 2012.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.2 COMPLETED TRANSACTIONS (CONTINUED)

1.2.2 DISPOSAL OF SOKL

Scomi Oiltools Kish Limited ("SOKL") is an indirect subsidiary of SGB via Scomi Oiltools (Cayman) Limited ("SOCL"). On 11 April 2012, SOCL entered into an agreement with Behnam Mousavi Moustafa, an employee of SOKL, for the disposal of its entire 99.6% equity interest in SOKL for a total sale consideration of RM53.6 million (USD17.0 million). A portion of purchase consideration amounting to RM16.0 million (USD5.1 million) will be settled via cash before 10 April 2013, while RM16.1 million (USD5.1 million) and RM21.5 million (USD6.8 million) will be settled no later than April 2014 and April 2015 respectively.

The disposal was completed on 23 April 2012.

1.2.3 ACQUISITION OF TTNL

On 30 March 2012, Scomi Nigeria Pte Ltd ("SNPL") has entered into an agreement with Enercon Nigeria Limited to acquire the remaining 49.9% equity interest in Titan Tubulars Nigeria Ltd ("TTNL") for a purchase consideration of RM10.7 million (USD3.5 million) payable in installments by December 2012. As a result, SNPL will hold 100% of the equity interest in TTNL.

The acquisition was completed on 30 April 2012.

1.2.4 TERMINATION OF SMB'S EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

SMB, a direct subsidiary of SGB, has proposed to terminate the ESOS which became effective on 18 October 2005 and which shall expire on 17 October 2015. No payment was made to the ESOS holders in respect of the termination of the ESOS.

The transaction was completed on 26 June 2012.

1.2.5 DISPOSAL OF SOAS AND NORWEGIAN BRANCH OF SOEL

On 9 March 2012, Scomi Oiltools (Europe) Limited ("SOEL"), an indirect subsidiary of SGB, entered into a conditional agreement with Knud Holm Prosjekt AS, a third party, to dispose Scomi Oiltools AS ("SOAS"), also an indirect subsidiary of SGB for a total sale consideration of RM0.06 million (NOK0.1 million). As part of the same agreement, SOEL entered into an agreement with SOAS to dispose the assets and liabilities in the Norwegian Branch of SOEL for a total sale consideration of RM10.4 million (NOK20.0 million).

The disposal was completed on 2 July 2012.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.2 COMPLETED TRANSACTIONS (CONTINUED)

1.2.6 CAPITAL REPAYMENT TO SHAREHOLDERS OF SMB AND SETTING-OFF OF THE ENTIRE ACCUMULATED LOSSES OF SMB

SMB, a direct subsidiary of SGB, has undertaken the following:

(a) reduction of the par value of the existing ordinary shares of RM1.00 each in SMB to RM0.45 each by cancelling RM0.55 for each share pursuant to Section 64 of the Companies Act, 1965 ("Par Value Reduction"); and

(b) reduction of the entire amount standing to the credit of the share premium account of SMB pursuant to Sections 60(2) and 64 of the Companies Act, 1965 ("Share Premium Reduction");

after which SMB has undertaken the following:

(a) capital repayment to the shareholders of SMB via a cash distribution in the total sum of RM135.6 million or RM0.185 for every existing ordinary share of RM0.45 each in SMB ("SMB Share");

(b) setting-off of the entire accumulated losses of SMB from the credit remaining after the proposed capital repayment. As at 31 December 2011, the accumulated losses of SMB stood at RM362.0 million; and

(c) setting-off of the estimated expenses of RM1.0 million against the capital reserves of SMB.

The capital repayment to shareholders of SMB was completed on 29 August 2012.

The setting-off of the entire accumulated losses of SMB was completed on 28 September 2012.

1.2.7 DISPOSAL OF SLOL AND SOEL BUSINESS

On 25 May 2012, Scomi Oiltools (Shetland) Limited ("SLOL"), an indirect subsidiary of SGB, proposed to dispose its assets and liabilities to SOEL for a purchase consideration of RM0.6 million (GBP0.1 million), which was completed on 31 May 2012.

On 31 May 2012, SOEL transferred its business to Woodside North Sea Services Ltd ("WNSSL") for a sale consideration of RM13.3 million (GBP2.7 million), satisfied via 100 ordinary shares of WNSSL. Thereafter, SOEL entered into an agreement to dispose 70 ordinary shares of WNSSL to Augean plc (a third party) for a total sale consideration of RM10.1 million (GBP2.0 million).

SOEL will therefore retain a 30% equity interest in WNSSL upon completion. This interest is a joint arrangement by virtue of the provisions embedded in the shareholders' agreement with Augean plc.

The transaction was completed on 3 September 2012.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.2 COMPLETED TRANSACTIONS (CONTINUED)

1.2.8 PRIVATE PLACEMENT OF SGB SHARES

On 24 September 2012, SGB entered into a conditional agreement with IJM Corporation Berhad ("IJM") for the proposed issuance of 119,109,500 new ordinary shares of RM0.10 each in SGB ("SGB Shares"), representing approximately 10% of the issued and paid-up share capital of the SGB (net of treasury shares), by way of private placement, to be subscribed by IJM for a cash consideration of RM39.3 million ("Shares Subscription Agreement").

The new SGB Shares were listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 3 October 2012.

1.2.9 DISPOSAL OF SNPL

SNPL is a wholly-owned subsidiary of SGB. SNPL has two subsidiaries, namely, Oiltools Africa Ltd ("OAL"), a 98%-owned subsidiary of SNPL, with the balance 2% held by SGB, and TTNL, a 50.1%-owned subsidiary.

After the acquisition of the remaining 49.9% equity interest in TTNL (as described in Note 1.2.3), on 16 May 2012, SGB entered into an agreement with AOS Orwell Limited for the disposal of its 100% equity interest in SNPL and 2% equity interest in OAL for a total sale consideration of RM126.5 million (USD39.7 million), which consists of a cash payment of RM116.0 million (USD36.7 million) and a retention sum of RM9.5 million (USD3.0 million), which is receivable in two years.

The transaction was completed on 17 October 2012.

1.2.10 CONVERSION OF ICSLS INTO ORDINARY SHARES

SGB has 875,079,717 units of Irredeemable Convertible Secured Loan Stock ("ICSLS") outstanding as at 31 December 2011. These ICSLS have matured on 14 December 2012. Every 4 units of ICSLS were converted into 1 SGB Share in accordance with the trust deed dated 2 November 2009 governing the terms and conditions of ICSLS. This resulted in the issuance of 218,769,875 new SGB Shares.

All the new SGB Shares have been allotted as at 20 December 2012.

1.2.11 EXERCISE OF WARRANTS

SGB has 202,105,258 free detachable warrants pursuant to the Renounceable Rights Issue of RM151,579,679.10 nominal value of Three (3)-year 4% ICSLS ("Warrants") outstanding as at 31 December 2011. The exercise price is fixed at RM0.40 per Warrant. Each Warrant entitles the holder to subscribe for one new SGB Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll and shall be exercisable into new SGB Shares on any market day within a period from the date of issue of the Warrants, up to and including the close of business day on date falling three years from the date of issue of the Warrants i.e. 14 December 2012.

20,068,332 Warrants have been exercised into 20,068,332 new SGB Shares as at 14 December 2012, resulting in 20,068,332 new SGB Shares being issued. All the new SGB Shares have been allotted as at 19 December 2012. Upon expiry of the remaining 182,036,926 Warrants, the Warrant reserve is transferred to retained earnings, in line with the accounting policy of SGB.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.3 PROPOSED BONDS ISSUE

1.3.1 PROPOSED BONDS ISSUE TO IJM

On 24 September 2012, SGB entered into a conditional agreement with IJM for the Proposed Bonds Issue, to be subscribed by IJM for cash at 100% of its nominal value ("Bonds Subscription Agreement").

SGB has the option to redeem all or any part of the outstanding Bonds in cash at each anniversary of the issue date. The redemption price will be the nominal value of the Bonds plus 10.0% yield for each full year that the Bonds remain outstanding.

The redemption price is as follows:

- redemption on 1st anniversary is RM1.10 (amounting to RM133.1 million);
- redemption on 2nd anniversary is RM1.21 (amounting to RM146.4 million); and
- redemption on 3rd anniversary is RM1.33 (amounting to RM160.9 million),

for every RM1.00 nominal value.

Consent from IJM is required for redemption by SGB on the 1st and 2nd anniversary unless:

(i) SGB Shares have been traded at a price of not less than RM0.50 (based on the daily volume weighted average market price) for 90 days consecutively; and

(ii) SGB has recorded profit after tax and minority interest (consolidated basis) for the latest 2 quarters prior to the redemption.

IJM has the option to convert all or part of the Bonds at any time into SGB Shares. For the purposes of conversion, the Bonds will carry a yield of 5.0% per annum calculated daily. The number of shares to be issued upon conversion will be determined based on the following:

$$\frac{a \times (1.05)^c}{b}$$

whereby:

a = nominal value of Bonds to be converted

b = conversion price

c = number of days from issuance until conversion / 365

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

1.3 PROPOSED BONDS ISSUE (CONTINUED)

1.3.1 PROPOSED BONDS ISSUE TO IJM (CONTINUED)

All outstanding Bonds will automatically be converted into SGB Shares upon maturity of the Bonds and number of SGB Shares to be issued will be based on the abovementioned formula.

The SGB Shares will be issued at a conversion price of RM0.365 per SGB share which was arrived at based on a premium of approximately 10% to the five (5)-day volume weighted average market price of SGB shares up to and including 21 September 2012, of RM0.33, upon conversion.

The conversion price is subject to adjustments pursuant to certain events as set out in the deed poll to be entered into (including but not limited to subdivision, consolidation of shares, bonus issues, rights issues and other dilutive events).

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

(i) the SC for the issuance of the Bonds, which was obtained via its letter dated 13 December 2012.

(ii) Bursa Securities, which was obtained via its letter dated 14 January 2013 for the listing of and quotation for up to 348,873,287 new SGB Shares to be issued arising from the conversion of the Bonds.

(iii) the shareholders of SGB at the forthcoming EGM; and

(iv) any other relevant authorities, if required.

1.4 PROPOSED BONDS CONVERSION

1.4.1 PROPOSED BONDS CONVERSION BY IJM

For the purpose of Pro Forma III(a), it is assumed the entire amount of the Bonds is converted into SGB Shares by IJM, on the same day of issuance, based on the formula described in Note 1.3.1.

For the purpose of Pro Forma III(b), it is assumed that the Bonds will be exercised upon maturity, based on the formula in Note 1.3.1.

1.5 EXERCISE OF ESOS OPTIONS

1.5.1 EXERCISE OF ESOS OPTIONS

SGB has 82,176,000 options outstanding as at 31 December 2011. The exercise prices of the options range from RM0.17 to RM1.51 per ESOS options with a remaining contractual life of 2 years and which will expire on 27 April 2013.

For the purpose of Pro Forma III(a), it is assumed that no ESOS options will be exercised.

For the purpose of Pro Forma III(b), it is assumed that the ESOS options with an exercise price of RM0.50 per ESOS option and below are exercised on 31 December 2011.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SGB AS AT 31 DECEMBER 2011 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

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2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

The Pro Forma Consolidated Statements of Financial Position as at 31 December 2011 have been prepared for illustrative purposes only to show the effects on the Pro Forma Consolidated Statements of Financial Position on the assumption that events set forth in Notes 1.1, 1.2, 1.3, 1.4 and 1.5 had been effected on 31 December 2011 and should be read in conjunction with the notes in this Section.

					Pro Forma I		Pro Forma II	Pro Forma III(a)	Pro Forma III(b)
	SGB audited as at 31.12.2011 RM'000	Adjustment for Early Adoption of Standards RM'000	Adjusted as at 31.12.2011 RM'000	Adjustments For Completed Transactions RM'000	After Completed Transactions RM'000	Adjustments For Proposed Bonds Issue RM'000	After Pro Forma I and Adjustments For Proposed Bonds Issue RM'000	After Pro Forma II and Proposed Bonds Conversion RM'000	After Pro Forma II, Proposed Bonds Conversion and Exercise of ESOS Options RM'000
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment	336,590	439,183	775,773	(57,694)	718,079	-	718,079	718,079	718,079
Intangible assets	321,699	7,014	328,713	(57,089)	271,624	-	271,624	271,624	271,624
Investment properties	1,559	-	1,559	-	1,559	-	1,559	1,559	1,559
Prepaid land lease payments	316	-	316	(316)	-	-	-	-	-
Investments in an associate	216,514	(216,267)	247	-	247	-	247	247	247
Investment in joint arrangement	-	20,188	20,188	3,972	24,160	-	24,160	24,160	24,160
Available-for-sale financial assets	1,516	-	1,516	-	1,516	-	1,516	1,516	1,516
Deferred tax assets	46,634	6	46,640	(492)	46,148	-	46,148	46,148	46,148
Total non-current assets	924,828	250,124	1,174,952	(111,619)	1,063,333	-	1,063,333	1,063,333	1,063,333
CURRENT ASSETS									
Inventories	223,303	-	223,303	(29,637)	193,666	-	193,666	193,666	193,666
Receivables, deposits and prepayments	936,086	140,035	1,076,121	(24,449)	1,051,672	-	1,051,672	1,051,672	1,051,672
Short term deposits, cash and bank bakances	157,447	80,646	238,093	(38,783)	199,310	46,000	245,310	245,310	252,684
Total current assets	1,316,836	220,681	1,537,517	(92,869)	1,444,648	46,000	1,490,648	1,490,648	1,498,022
CURRENT LIABILITIES									
Payables	539,976	80,560	620,536	(18,506)	602,030	-	602,030	602,030	602,030
Borrowings	744,851	18,777	763,628	(157,089)	606,539	(61,000)	545,539	545,539	545,539
Provisions	2,267	-	2,267	-	2,267	-	2,267	2,267	2,267
Derivatives financial liabilities	294	315	609	-	609	-	609	609	609
Current tax liabilities	32,815	2,877	35,692	(7,912)	27,780	-	27,780	27,780	27,780
Deferred government grant	2,155	-	2,155	-	2,155	-	2,155	2,155	2,155
Irredeemable convertible secured loan stocks	3,188	-	3,188	(3,188)	-	-	-	-	-
Irredeemable convertible unsecured loan stocks	14	-	14	-	14	-	14	14	14
Provision for retirement benefits	390	-	390	-	390	-	390	390	390
Total current liabilities	1,325,950	102,529	1,428,479	(186,695)	1,241,784	(61,000)	1,180,784	1,180,784	1,180,784
NET CURRENT ASSETS/(LIABILITIES)	(9,114)	118,152	109,038	93,826	202,864	107,000	309,864	309,864	317,238
TOTAL ASSETS	915,714	368,276	1,283,990	(17,793)	1,266,197	107,000	1,373,197	1,373,197	1,380,571

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SGB AS AT 31 DECEMBER 2011 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON *(Cont'd)*

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

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2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 (CONTINUED)

					Pro Forma I		Pro Forma II	Pro Forma III(a)	Pro Forma III(b)
	SGB audited as at 31.12.2011 RM'000	Adjustment for Early Adoption of Standards RM'000	Adjusted as at 31.12.2011 RM'000	Adjustments For Completed Transactions RM'000	After Completed Transactions RM'000	Adjustments For Proposed Bonds Issue RM'000	After Pro Forma I and Adjustments For Proposed Bonds Issue RM'000	After Pro Forma II and Proposed Bonds Conversion RM'000	After Pro Forma II, Proposed Bonds Conversion and Exercise of ESOS Options RM'000
CAPITAL AND RESERVES									
Share capital	118,769	-	118,769	35,795	154,564	-	154,564	184,701	192,271
Share premium	276,793	-	276,793	78,835	355,628	-	355,628	432,491	434,159
Treasury shares	(18,696)	-	(18,696)	-	(18,696)	-	(18,696)	(18,696)	(18,696)
Other reserves	(246,095)	(1,741)	(247,836)	(96,492)	(344,328)	107,000	(237,328)	(344,328)	(346,192)
Retained earnings	378,591	14,170	392,761	23,764	416,525	-	416,525	416,525	416,525
Net assets attributable to equity holders of SGB	509,362	12,429	521,791	41,902	563,693	107,000	670,693	670,693	678,067
Non-controlling interests	71,831	342,446	414,277	(74,618)	339,659	-	339,659	339,659	339,659
TOTAL EQUITY AND RESERVES	581,193	354,875	936,068	(32,716)	903,352	107,000	1,010,352	1,010,352	1,017,726
NON-CURRENT LIABILITIES									
Payables	5,629	-	5,629	(5,629)	-	-	-	-	-
Borrowings	320,842	10,186	331,028	20,674	351,702	-	351,702	351,702	351,702
Provision for retirement benefits	4,762	2,315	7,077	(122)	6,955	-	6,955	6,955	6,955
Deferred tax liabilities	3,285	442	3,727	-	3,727	-	3,727	3,727	3,727
Irredeemable convertible unsecured loan stocks	3	-	3	-	3	-	3	3	3
Derivative financial liabilities	-	458	458	-	458	-	458	458	458
Total non-current liabilities	334,521	13,401	347,922	14,923	362,845	-	362,845	362,845	362,845
TOTAL EQUITY AND LIABILITIES	915,714	368,276	1,283,990	(17,793)	1,266,197	107,000	1,373,197	1,373,197	1,380,571
Net assets attributable to equity holders of SGB ('NA') (RM'000)	509,362		521,791		563,693		670,693	670,693	678,067
Number of ordinary shares, net of treasury shares ('000)	1,173,260		1,173,260		1,531,208		1,531,208	1,832,578	1,908,278
NA per ordinary share (RM)	0.43		0.44		0.37		0.44	0.37	0.36

Note :

(i) During the period from 1 January 2012 up to 31 December 2012, a total of 4,825,500 new SGB Shares were issued arising from the exercise of ESOS. If these shares were effected in the Pro Forma, the number of SGB Shares under the minimum scenario, net of treasury shares would be 1,837,403,517, with a net asset per share of RM0.37.

(ii) On 8 November 2012, a new ESOS for 13,000,000 shares at an exercise price of RM0.36 per share was granted to the employees which is exercisable as at 30 November 2012. If these shares were effected in the Pro Forma, the number of SGB Shares under the maximum scenario, net of treasury shares would be 1,921,270,941, with a net asset per share of RM0.36.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.1 Basis of preparation

The Pro Forma Consolidated Statements of Financial Position have been prepared based on the audited consolidated financial statements of SGB for the financial year ended 31 December 2011 in accordance with Financial Reporting Standards ("FRS") in Malaysia and in a manner consistent with both the format of the financial statements and accounting policies of SGB except for the early adoption of FRS 10: Consolidated Financial Statements, FRS 11: Joint Arrangements, FRS 12: Disclosure of Interests in Other Entities, FRS 127: Separate Financial Statements (Revised) and FRS 128: Investments in Associates and Joint Ventures (Revised).

The following accounting policies have been adopted arising from the early adoption of the abovementioned FRS.

Consolidation

Subsidiaries are all entities (including structured entities) over which SGB has control. SGB controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

Control may exist even if SGB holds less than majority voting rights but SGB has the current ability to direct the relevant activities of the investee to affect its returns. When assessing if the SGB controls the investee, SGB considers potential voting rights, economic dependency and de facto control.

De facto control may arise in circumstances where SGB holds the largest block of voting rights with the remaining voting rights widely-dispersed. SGB may have the power to unilaterally direct the investee, unless a sufficient number of the remaining dispersed investors act together to out vote SGB.

Joint arrangements

SGB assesses its joint arrangements to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two type of joint arrangements; joint operations and joint ventures. Joint operations arise where SGB has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where SGB has rights to the net assets of the arrangement and hence equity accounts for its interest.

The early adoption of FRS 10 by SGB has resulted in SGB considering SMB as its subsidiary.

The Pro Forma Consolidated Statements of Financial Position have been prepared, for illustrative purposes only, to show the effects of the Adjustment for Early Adoption of Standards, Completed Transactions, Proposed Bonds Issue, Proposed Bonds Conversion and Exercise of ESOS Options (as referred to in Notes 1.1, 1.2, 1.3, 1.4 and 1.5 respectively) presented as though the transactions had been effected on 31 December 2011.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position

Adjusted as at 31 December 2011

The effects of the adjustment for early adoption of standards as set out in Note 1.1 on the Pro Forma Consolidated Statements of Financial Position of SGB are as follows:

2.2.1 ADJUSTMENT FOR EARLY ADOPTION OF STANDARDS

The adjustment to the Pro Forma Consolidated Statements of Financial Position reflects the assets, liabilities, reserves and non-controlling interest consolidated into SGB less the carrying value of the investment in SMB held as an equity accounted associate.

As SGB controls SMB, the difference between the fair value of the assets and liabilities of SMB and the purchase consideration has been taken to retained earnings.

Pro Forma I

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows:

2.2.2 DISPOSAL OF MLC

SGB via its subsidiary, SMB, continues to control the MLC. As this is a transaction with non-controlling interest, the difference will be adjusted between non-controlling interest and retained earnings in equity.

The vendor notes which represents the purchase consideration, matures in 7 years and bears market interest rate at 8.0% per annum for the first 5 years and 10.0% for the subsequent 2 years.

The increase in non-controlling interests of SGB has been computed as follows:

	RM'000
Net assets of MLC acquired by PTRT	330,268
Less: Purchase consideration for acquisition of MLC	(179,881)
Increase in net assets of PTRT after acquisition	150,387
Increase in non-controlling interest arising from increase in net assets of PTRT after acquisition (19.46%)	29,265
Decrease in non-controlling interest (57.25%)	(16,754)
Increase in non-controlling interest	12,511
Less: Share of non-controlling interest of estimated expenses	(1,377)
Net increase in non-controlling interest	11,134

The balance estimated expenses relating to this transaction amounting to RM0.7 million has been expensed off.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

<u>Pro Forma I (continued)</u>

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.3 DISPOSAL OF SOKL

The total sale consideration is RM53.6 million. As a portion of the consideration amounting to RM37.6 million is receivable in more than one year, this has been discounted at a rate of 12.0%, which represents the acquirer's cost of funds.

The loss on disposal has been computed as follows:

	RM'000	RM'000	RM'000
Sale consideration			
Cash		16,095	
Receivable		31,475	
			47,570
Less:			
Assets			
Non-current assets			
Property, plant and equipment	(2,645)		
Intangible assets	(16,947)		
Total non-current assets		(19,592)	
Current assets			
Inventories	(8,972)		
Receivables, deposits and prepayments	(30,716)		
Short term deposits, cash and bank balances	(5,349)		
Total current assets		(45,037)	
Total assets			(64,629)
Add:			
Liabilities			
Current liabilities			
Current tax liabilities	5,043		
Payables	6,848		
Total current liabilities		11,891	
Non-current liabilities			
Provision for retirement benefits		122	
Total liabilities			12,013

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SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

<u>Pro Forma I</u> (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.3 DISPOSAL OF SOKL (CONTINUED)

The loss on disposal has been computed as follows: (continued)

	RM'000	RM'000	RM'000
<u>Reserves</u>			
Other reserves			30
Loss on disposal			(5,016)
Less: Share of net assets attributable to non-controlling interests (23.92%)			4,329
Net loss on disposal			(687)

2.2.4 ACQUISITION OF TTNL

The purchase consideration is RM10.7 million, representing the amount paid to acquire the non-controlling interest in TTNL.

	RM'000
Purchase consideration	10,748
Add: Debit balance of non-controlling interest acquired	5,332
Decrease in retained earnings	16,080

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.5 TERMINATION OF SMB'S EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The termination has been accounted for as an acceleration of vesting conditions and recognised immediately in the income statement as the amount that otherwise would have been recognised for services expected to be received over the remainder of the vesting period. Therefore, SMB has recorded an income statement charge of RM0.5 million, being the remaining fair value of the employee services expected to be received in exchange for the grant of options, which will also be recorded by SGB.

The balance carrying amount of the SMB share option reserve of RM4.9 million has been credited to retained earnings which will also be recorded by SGB, as computed below:

	RM'000
Carrying amount of share option reserve	4,884
Add: Acceleration of the ESOS vesting conditions	535
Less: Reclassification of accelerated charges to retained earnings	(535)
Balance credited to retained earnings	4,884
Decrease in share option reserve at SGB level (42.76%)	2,086

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.6 DISPOSAL OF SOAS AND NORWEGIAN BRANCH OF SOEL

The total sale consideration amounts to RM10.4 million, of which RM7.9 million is receivable in cash and the balance RM2.4 million as a receivable. For the purpose of this Pro Forma, management expects the balance to be repaid in the next one year.

The loss on disposal has been computed as follows:

	RM'000	RM'000
Sale consideration		
Cash	7,949	
Receivable	2,430	
		10,379
Less:		
Assets		
Non-current assets		
Property, plant and equipment	(11,086)	
Intangible assets	(10,487)	
Inventories	(234)	
Total assets		(21,807)
Loss on disposal		(11,428)
Less: Share of loss attributable to non-controlling interest (23.92%)		2,734
Loss on disposal attributable to SGB		(8,694)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

<u>Pro Forma I</u> (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.7 CAPITAL REPAYMENT TO SHAREHOLDERS OF SMB AND SETTING OFF OF THE ENTIRE ACCUMULATED LOSSES OF SMB

The Par Value Reduction and Share Premium Reduction will give rise to a credit of approximately RM525.1 million which is proposed to be utilised to facilitate the following:

(a) capital repayment to the shareholders of SMB via a cash distribution in the total sum of RM135.6 million or RM0.185 for every existing SMB share;

(b) setting-off of the entire accumulated losses of SMB from the credit remaining after the proposed capital repayment. As at 31 December 2011, the accumulated losses of the SMB stood at RM362.0 million; and

(c) setting-off of the estimated expenses of RM1.0 million against the capital reserves of SMB.

The remaining RM26.5 million shall be credited to the capital reserves of SMB and is not available for distribution via cash dividends.

To facilitate the capital repayment, SMB has obtained new borrowings amounting to RM63.1 million.

SGB received RM57.9 million, being its share of the capital repayment, after setting off share of estimated incidental expenses of RM0.4 million, with the balance RM78.2 million being attributable to non-controlling interests.

The RM57.9 million will be used to repay borrowings.

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.8 DISPOSAL OF SLOL AND SOEL BUSINESS

The sale consideration amounts to RM10.1 million in cash.

The loss on disposal has been computed as follows:

	RM'000	RM'000	RM'000
Sale consideration, in cash		10,086	
Fair value of 30% interest retained		3,972	
			14,058
Less:			
Assets			
Non-current assets			
Property, plant and equipment	(22,043)		
Intangible assets	(19,755)		
Total non-current assets		(41,798)	
Current assets			
Inventories	(98)		
Receivables, deposits and prepayments	(2,399)		
Total current assets		(2,497)	
Total assets			(44,295)
Add:			
Liabilities			
Current liabilities			
Borrowings		1,013	
Non-current liabilities			
Borrowings		4,920	
Total liabilities			5,933
Loss on disposal			(24,304)
Less: Share of loss attributable to non-controlling interest (23.92%)			5,814
Loss on disposal attributable to SGB			(18,490)

The carrying amount of the remaining 30% equity interest, recorded as an investment in a joint arrangement, amounts to RM3.9 million, which is assumed to be the fair value of the 30% equity interest retained in WNSSL.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.9 PRIVATE PLACEMENT OF SGB SHARES

The private placement will result in an increase of RM11.9 million and RM27.4 million in share capital and share premium respectively.

The estimated expenses of RM1.0 million will be set off against the share premium, resulting in a net increase in share premium of RM26.4 million.

The total proceeds of RM38.3 million, after setting off of estimated incidental expenses of RM1.0 million will be used to repay borrowings.

2.2.10 DISPOSAL OF SNPL

The total sale consideration amounts to RM125.5 million, of which RM116.0 million will be received in cash and the balance amounting to RM9.5 million as a retention sum which is receivable in two years and therefore discounted at a rate of 12.0%, which represents the acquirer's cost of funds.

A portion of the sale consideration is to be contractually utilised to repay borrowings amounting to RM38.8 million.

The gain on disposal has been computed as follows:

	RM'000	RM'000	RM'000
Sale consideration			
Cash		116,039	
Receivable		7,547	
			123,586
Less:			
Assets			
Non-current assets			
Property, plant and equipment	(21,920)		
Intangible assets	(9,900)		
Deferred tax assets	(492)		
Total non-current assets		(32,312)	
Current assets			
Inventories	(20,333)		
Receivables, deposits and prepayments	(33,102)		
Short term deposits, cash and bank balances	(999)		
Total current assets		(54,434)	
Total assets			(86,746)

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.10 DISPOSAL OF SNPL (CONTINUED)

The gain on disposal has been computed as follows: (continued)

	RM'000	RM'000	RM'000
Add:			
Liabilities			
Current liabilities			
Current tax liabilities	2,869		
Payables	11,658		
Total current liabilities		14,527	
Non-current liabilities			
Payables		5,629	
Total liabilities			20,156
Reserves			
Other reserves			141
Gain on disposal			57,137
Less: Incidental expenses			(6,231)
Net gain on disposal			50,906

The cash proceeds from the disposal will utilised in the following manner:

	RM'000
Repayment of borrowings of SNPL	38,816
Acquisition of the remaining 49.90% shares in TTNL held by non controlling interest	10,748
Estimated expenses incidental to the disposal	6,231
Repayment of borrowings of SGB	59,245
	115,040

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma I (continued)

The effects of the Completed Transactions as set out in Note 1.2 on the Statements of Financial Position of SGB are as follows: (continued)

2.2.11 CONVERSION OF ICSLS INTO ORDINARY SHARES

SGB has 875,079,717 units ICSLS as at 31 December 2011. Every 4 units of ICSLS are converted into 1 SGB Share. This resulted in the issuance of 218,769,875 new SGB Shares, amounting to an increase in share capital of RM21.8 million and share premium of RM43.2 million.

2.2.12 EXERCISE OF WARRANTS

SGB has 202,105,258 free detachable Warrants outstanding as at 31 December 2011. The exercise price is fixed at RM0.40 per warrant. Each warrant entitles the holder to subscribe for one new SGB Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll and shall be exercisable into new SGB Shares on any market day within a period from the date of issue of the Warrants, up to and including the close of business day on date falling three years from the date of issue of the Warrants i.e. 14 December 2012.

20,068,332 Warrants have been exercised on 14 December 2012, resulting in 20,068,332 new SGB Shares being issued. As a result, share capital and share premium will increase by RM2.0 million and RM6.0 million respectively. The Warrants reserve for the exercised and unexercised Warrants, amounting to RM3.2 million and RM29.1 million, will be credited to share premium and retained earnings respectively.

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma II

The effects of Pro Forma I and the Proposed Bonds Issue as set out in Note 1.3 on the Statements of Financial Position of SGB are as follows:

2.2.13 PROPOSED BONDS ISSUE TO IJM

The issuance of the Bonds will create an equity reserve of RM110.0 million, which will mandatorily be converted into SGB Shares when the Bonds mature.

The estimated expenses of RM3.0 million will be set off against the equity reserve, resulting in a net equity reserve of RM107.0 million, presented within other reserves.

A portion of the net proceeds amounting to RM61.0 million will be used to repay borrowings.

The remaining proceeds of RM46.0 million will be used as working capital.

SCOMI GROUP BHD

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

2.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.2 Effects on the Pro Forma Consolidated Statements of Financial Position (continued)

Pro Forma III(a)

The effects of Pro Forma II and the Proposed Bonds Conversion and the Exercise of ESOS Options as set out in Note 1.4 and 1.5 on the Statements of Financial Position of SGB are as follows:

2.2.14 PROPOSED BONDS CONVERSION BY IJM

For the purpose of Pro Forma III(a), management assumes the entire amount of the Bonds i.e. RM110 million will be converted into SGB Shares on the same day of issuance, based on the formula described in Note 1.3.1. This will result in the issuance of 301,369,863 new SGB Shares, amounting to an increase in share capital of RM30.1 million and share premium of RM76.9 million.

2.2.15 EXERCISE OF ESOS OPTIONS

For the purpose of Pro Forma III(a), it is assumed that none of the ESOS Options will be exercised.

Pro Forma III(b)

The effects of Pro Forma II and the Proposed Bonds Conversion and the Exercise of ESOS Options as set out in Note 1.4 and 1.5 on the Statements of Financial Position of SGB are as follows:

2.2.16 PROPOSED BONDS CONVERSION BY IJM

For the purpose of Pro Forma III(b), management assumes the entire amount of the Bonds i.e. RM110 million will be converted into SGB Shares upon maturity, based on the formula described in Note 1.3.1. This will result in the issuance of 348,873,287 new SGB Shares, amounting to an increase in share capital of RM34.8 million and share premium of RM72.1 million.

2.2.17 EXERCISE OF ESOS OPTIONS

For the purpose of Pro Forma III(b), management assumes that the outstanding ESOS Options with exercise prices of RM0.50 and below per ESOS Options will be exercised. This will result in the issuance of 28,197,500 new SGB Shares, amounting to an increase in share capital of RM2.8 million and share premium of RM4.6 million. The ESOS reserve for the exercised ESOS Options, amounting to RM1.8 million is credited to share premium.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 AND THE NOTES THEREON (CONTINUED)

3.0 APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of SGB in accordance with a resolution dated 14 JAN 2013

On behalf of the Board

Tan Sri Nik Mohamed Bin Nik Yaacob	**Dato' Abdul Rahim Bin Abu Bakar**
Director	**Director**

Petaling Jaya
14 JAN 2013

0054C/py

FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

The Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirms 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 statement in this Circular false or misleading.

2. CONSENTS

HLIB, being the Principal Adviser for the Proposed Bonds Issue has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Newfields, being the Financial Adviser for the Proposed Bonds Issue has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs PricewaterhouseCoopers, being the Reporting Accountants for the Proposed Bonds Issue has given and has not subsequently withdrawn its written consent to the inclusion of its name and the Proforma Consolidated Statements of Financial Position of SGB as at 31 December 2011 together with the Reporting Accountants' letter thereon, and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICTS OF INTERESTS

3.1 Adviser

Save as disclosed below, HLIB is not aware of any circumstances that exist or are likely to exist, which would give rise to a possible conflict of interest situation in its capacity as the Adviser to SGB in connection with the Proposed Bonds Issue.

HLBB together with HLIB have extended a bridging loan facility of RM118.0 million to SGB, of which RM61.0 million is outstanding as at the LPD. Proceeds from the Proposed Bonds Issue amounting to RM61.0 million is intended to repay the outstanding balance of the said bridging loan facility.

Save for the bridging loan facility above and based on HLIB's and HLBB's latest audited financial statements as at 30 June 2012, both HLIB and HLBB do not have any other exposure to SGB as at the LPD. Based on the latest audited financial statements of HLIB and HLBB as at 30 June 2012, the percentage of bridging loan facility extended to SGB as compared to the respective total assets of HLIB and HLBB is 0.97% and 0.02% respectively.

HLIB is of the view that the aforementioned credit facilities are not material when compared to the aggregated audited total assets of HLBB and HLIB as at 30 June 2012. Furthermore, the credit facilities were extended in the ordinary course of business of HLBB and HLIB.

Notwithstanding the above, HLIB has considered the factors involved and believes that its objectivity and independence as the Adviser to SGB in relation to the Proposed Bonds Issue will be maintained at all times for the following reasons:

(i) HLIB is a licensed investment bank which provides a wide range of investment banking services, including amongst others, loan syndications, corporate finance, debt capital markets and treasury. Therefore, the provision of bridging loan facilities and corporate finance services represent transactions entered into in the ordinary course of business;

(ii) Save for the advisory fees and interest income earned by HLIB from the roles stated above, HLIB will not be deriving any other direct or indirect benefits from its appointment as Adviser for the Proposed Bonds Issue; and

(iii) The Proposed Bonds Issue involves the issuance of the Bonds solely to IJM. Neither HLIB nor HLBB holds any equity interest in IJM.

Further, the Board has confirmed that they have been informed and are aware of the situations as described above and is agreeable to the role of HLIB as the Adviser for the Proposals.

3.2 Financial Adviser

Newfields confirms that it is not aware of any circumstances that exist or that are likely to exist which would give rise to a possible conflict of interest situation in its capacity as Financial Adviser to the Company in respect of the Proposed Bonds Issue.

3.3 Reporting Accountants

Messrs PricewaterhouseCoopers confirms that it is not aware of any circumstances that exist or that are likely to exist which would give rise to a possible conflict of interest situation in its capacity as Reporting Accountants to the Company in respect of the Proposed Bonds Issue.

4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

4.1 Material capital commitments

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the profits or NA of the Group:

	Unaudited As at the LPD RM'000
Property, plant and equipment	
- Approved and contracted for	21,924
- Approved but not contracted for	155,406
Operating lease	28,794
Total	**206,124**

4.2 Contingent liabilities

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of the Group:

	Unaudited As at the LPD RM'000
Bank guarantees and letters of credit issued to third parties in respect of performance guarantee given by subsidiaries	191,856
Taxation	4,700
Litigation	5,700
Total	**202,256**

5. MATERIAL LITIGATION

Save as disclosed below, as at LPD, neither the Company, nor any of its subsidiaries, is engaged in any litigation or arbitration, either as a plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to proceedings, which might materially and adversely affect the financial position or business of the Company or any of its subsidiaries.

(i) CH Logistics Pte Ltd ("CHL")

CHL vs (1) HSBC Insurance (Singapore) Pte Ltd (2) Catlin Singapore Pte Ltd (3) India International Pte Ltd (3) India International Insurance Pte Lts (4) Axa Insurance Singapore Pte Ltd (5) First Capital Insurance Ltd

A tug "TJA 2811" ("**Tug**") owned by CHL encountered a mishap on 23 December 2007 and sank in Bali Straits. The Tug was insured via Hull & Machinery Policy No: 2000055378 dated 23 August 2007 for the period of 1 July 2007 to 30 June 2008. The total insured sum is USD3.0 million, insured proportionately with 5 underwriters ("**Underwriters**") led by HSBC Insurance (Singapore) Pte Ltd. The agent/broker then was AON Singapore Pte Ltd.

CHL filed a claim with the Underwriters on the ground of "perils of the sea".

The Underwriters disputed the claim and the parties' attempt to seek an amicable solution was not achieved. Consequently, a Singapore law firm was appointed to act for CHL in June 2009.

In June 2010, a Writ of Summons was filed in, and issued by the High Court of Singapore, against the Underwriters.

As at LPD, the litigation is still ongoing. The solicitors of CHL cannot confirm as to the probability of the outcome of the suit at this stage.

(ii) PT Rig Tenders Indonesia Tbk ("PTRT")

PTRT vs Haven Engineering (Malaysia) Sdn Bhd

PTRT had entered into a Charterparty Agreement dated 15 October 2009 with CATHEM Consortium ("**CATHEM**"), a consortium comprising Haven Engineering (Malaysia) Sdn Bhd ("**HEM**"), a Malaysian company, and PT Cahaya Anugerah Tama, an Indonesian company, for the charter of a vessel to CATHEM.

A total amount of USD3,266,380.00 (excluding interest and cost) is due and owing by CATHEM ("**Outstanding Amount**") to PTRT under the Charterparty Agreement. As part of an arrangement for the payment of the Outstanding Amount, HEM furnished a corporate guarantee in favour of PTRT to guarantee the payment of the Outstanding Amount ("**HEM Guarantee**"). Arising from the default of CATHEM to make payment of the Outstanding Amount, PTRT made a demand under the HEM Guarantee.

In July 2010, PTRT commenced winding up proceedings against HEM. Subsequently in November 2010, HEM requested for time to present its proposed settlement of the Outstanding Amount. Despite various extensions of time, HEM failed to present a firm proposal for the settlement of the Outstanding Amount.

In July 2011, upon a search on HEM, it was discovered that HEM had been wound up in May 2011. Pursuant thereto, a Proof of Debt in respect of PTRT's claim against HEM was filed with the Department of Insolvency in August 2011. The liquidation process in respect of HEM is currently under the conduct of the Official Receiver (as the public liquidator).

(iii) Scomi Rail Bhd

Scomi Rail Bhd and PJSI Consultants Sdn Bhd

Scomi Rail Bhd had received a letter of demand from PJSI Consultants Sdn. Bhd. on 27 September 2012 for the following amounts:

1. RM2,970,000 under a Consultancy Service Agreement dated 25 March 2009; and
2. RM5,723,525 under a Site Audit Services Agreement dated 15 November 2011.

Scomi Rail Bhd had issued a response to the letter of demand on 3 October 2012 rejecting the amounts claimed. Legal proceedings have been instituted on 1 November 2012 by PJSI Consultants Sdn Bhd against Scomi Rail Bhd and SEB in the Kuala Lumpur High Court (Suit Number 22NCC-1602-11/2012) claiming for RM8,000,000 in relation to a dispute arising out of the agreements. The claims are being contested and counter claims will be pursued.

(iv) SOAL

Nicolas Rouze ("Rouze") vs SOAL

In January 2010, Rouze, a former employee of SOAL whose employment was terminated on grounds of gross misconduct, initiated an unfair dismissal claim against SOAL before the Pointe-Noire Labour Court ("**Labour Court**") through which Rouze requested to: (i) seize SOAL's assets and earnings in the sum of CFA31,826,160 (equivalent to approximately RM190,957) for the alleged nonpayment of his wages; and (ii) CFA980,000,000 (equivalent to approximately RM5,880,000) by way of damages for wrongful termination of his employment contract; and (iii) CFA500,000 (equivalent to approximately RM3,000) by way of interest, totaling the sum of CFA1,012,326,160 (equivalent to approximately RM6,073,957). In this regard, Rouze obtained a court order against SOAL ("**Order 1**") for the seizure of SOAL's assets and earnings and for damages in relation to the claim for wrongful dismissal.

On 24 February 2012, in relation to the recovery of damages granted under the Order 1, the Labour Court declared that the matter was outside the governing law of the contract of employment which is the law of Singapore. On 27 February 2012, an appeal against the ruling of the Labour Court was filed by Rouze. As at LPD, the hearing of the appeal is still pending.

In relation to the seizure of the assets, SOAL's solicitors brought the case to the judge in chambers for the cancellation of the seizure made by Rouze. The judge rendered an ordinance in favour of SOAL which was successfully enforced and monies seized have since been returned to SOAL.

Rouze has lodged an appeal against the seizure on 16 March 2012 and the Court of Appeal ruled in favour of SOAL. This ruling may be appealed further by Rouze through the Common Court of Justice and Arbitration in Abidjan, Cote d'Ivoire ("**CCJA**").

SOAL has appointed a new legal counsel to represent it in the case against Rouze. External counsel's view is that there is a fair chance of winning on appeal and that the Court of Appeal would construe the contract of employment between SOAL and Rouze in the same way as the Labour Court.

Ngoumba Lambert ("Lambert") vs SOAL

Lambert had on 22 August 2011 filed a motion for an order in the Court of Pointe-Noire in Congo ("**Commercial Court**") for payment by SOAL of a principal sum of CFA100,000,000 (equivalent to RM600,000). Lambert contented that under a contract entered between SOAL and ENI Congo ("**ENI Contract**"), SOAL had used Lambert's services as a consultant and a dispute arose as to the scope and services rendered in relation to the ENI Contract.

Pursuant to the above, an order was granted in favour of Lambert on 23 August 2011 ("**Order 2**") for the payment of CFA110,000,000 (equivalent to RM660,000) and bailiff fees of CFA35,000,000 (equivalent to RM210,000). SOAL sought to overturn the Order 2. There was a hearing before the Commercial Court on 29 February 2012 where the Commercial Court ruled that SOAL was not entitled to overturn the Order 2.

An appeal against this was filed on 1 March 2012 before the commercial division of Court of Appeal of Pointe-Noire ("**Appeal**"). As at the LPD, the Appeal is still pending to be heard.

In the interim, ENI Congo claims that its accounts have been seized following an injunction filed by Lambert and garnishment proceedings taken against contract proceeds payable to SOAL under the ENI Contract. Further evidence has given rise to the assertion by SOAL that a sum of CFA150,995,000 had already been seized by Lambert in respect of the amount payable by ENI Congo to SOAL.

In the event SOAL succeeds in its Appeal, the sum of money seized will revert to ENI Congo and subsequently released to SOAL.

SOAL has appointed a new legal counsel to represent it in the case against Lambert. External legal counsel is of the view that it is difficult to anticipate the outcome of the case at this juncture.

(v) Wasco

<u>Wasco vs Cledop West Africa Limited ("Cledop")</u>

On 23 March 2010, Wasco brought a claim against Cledop in High Court of Rivers State of Nigeria in Port Harcourt, Rivers State ("**High Court**") for NGN32,202,626.10 (equivalent to approximately RM624,731) due and for which there was no defence. Accordingly, it was brought under the undefended case list and there was a stay in proceedings to enable Wasco and Cledop to negotiate an out of court settlement. Cledop failed to honour the terms of settlement with Wasco and later filed a notice of intention to defend wherein it admitted its indebtedness to Wasco in the sum claimed but counter-claimed on the ground that Wasco had already seized some components of its equipment as security for repayment of the said debt ("**Counter Claim**").

On 9 July 2012, Cledop's motion for extension of time to file its Statement of Defence and accompanying processes was heard and granted by the High Court. A reply to the Statement of Defence and a Defence to the counter claim was filed by Wasco on 16 July 2012. The case was mentioned on 29 October 2012 and a pre-trial conference has been scheduled for 28 January 2013.

The maximum liabilities will not exceed the sum of the Counter Claim of USD2,000 (equivalent to RM6,087) per day from 23 April 2009 until judgement and final payment of the judgment sum or the excess after a set-off of the judgment sum from the amount owed to Wasco under the Counter Claim.

The solicitor for Wasco is of the opinion that it is most improbable that the High Court would not grant the Counter Claim as it is lacking in merit. This is premised on the fact that Wasco had no privity to the contract with Cledop in the transaction upon which the Counter Claim is based and as such cannot be liable under it. Further, as Cledop is not disputing Wasco's claim of Cledop's indebtedness to Wasco, it is most probable that in the event of failure of the Counter Claim, the High Court will grant Wasco's claim and order Cledop to pay its debts.

Loving Brothers Nigeria Limited and Mr. Ricky Brown ("Claimaints") vs Wasco, Mike Walker, Mr. A.S. Chamy Brown, Mr. Jerry Franks, Okey Emeka and Mr. Derrick ("Defendants")

On 10 October 2008, the Claimants brought a claim against the Defendants before the court for allegedly breaching a contract for the hire of forklifts following Wasco's termination of their contract for the rental of forklifts which had failed to work. The Claimants claimed:

(a) USD82,014.38 (equivalent to approximately RM250,784) as the alleged rental sum for the hire of 11 ton forklifts from November 2007 to 31 January 2008 in which Wasco's defence was that it only hired 5 ton forklifts at a lower rental for a fixed period of 31 days and it had already paid all amounts owing under the contract; and

(b) damages in the sum of NGN500,000,000 (equivalent to approximately RM3,000,000) for personal injury to the Claimants' employee allegedly caused following an altercation with 2 of Wasco's employees. In this regard, Wasco entered defence denying the alleged assault. It was incumbent on the Claimants to prove that the assault took place involving the 2 persons and that injury was caused.

The Defendants has made a counter claim against the Claimants for: (i) the recovery of 7 days off-hire when the forklifts broke down; (ii) loss of man hours occasioned by inquiries regarding the alleged assault; and (iii) the recovery of legal costs.

The trial for the case has commenced. The hearing of the Claimant's third witness is scheduled on 6 February 2013. In the event that the Claimants' action succeed, the Defendants would be liable to the full sum claimed for the forklifts being special damages. However, with respect to the claim for personal injuries, it is doubtful if the court would award more than USD68,198.86 (equivalent to approximately RM208,538) as special damages.

The solicitor for the Defendants opined that based on the evidence at their disposals and as it is most improbable for the Claimants to prove the existence of contract document evidencing the alleged hire contract for 3 months, it is highly unlikely for the Claimants to succeed with their claim as the allegation of personal injury, it is difficult to prove as they would be required to prove actual damage which from the facts of the case is non-existent.

(vi) Scomi Sosma Sdn Bhd ("SSSB")

SSSB vs Dahe Industries Sdn Bhd ("Dahe")

SSSB had entered into a settlement agreement dated 15 July 2009 ("**First Settlement Agreement**") with Dahe whereby Dahe had acknowledged that a sum of RM3,050,458.16 ("**Outstanding Sum**") was due by Dahe on the account of trading arrangements between SSSB and Dahe.

Under the First Settlement Agreement, it was agreed that, among others, Dahe shall repay the Outstanding Sum to SSSB by 1 August 2007 in accordance with the schedule of repayment set out in the First Settlement Agreement. Arising from a breach by Dahe of the First Settlement Agreement, SSSB had issued against Dahe a letter of demand on 5 December 2008, and a statutory demand pursuant to Section 218 of the Act ("**First Statutory Demand**") on 26 March 2009, for the Outstanding Sum together with interests and legal charges.

As a result of the First Statutory Demand, a new settlement agreement was entered into between SSSB and Dahe on 10 December 2009 ("**Final Settlement Agreement**"), whereby Dahe acknowledged that a sum of RM3,326,475.88 was owing by Dahe to SSSB, which would be settled by way of (i) the transfer by Dahe to SSSB of 3 plots of land ("**Properties**") towards the settlement of RM945,000 and (ii) the balance to be paid in accordance with the schedule of repayment set out in the Final Settlement Agreement ("**Balance Outstanding Sum**").

Arising from the default of Dahe to make payment of the Balance Outstanding Sum, SSSB had on 22 February 2012 issued against Dahe a statutory demand pursuant to Section 218 of the Act ("**Second Statutory Demand**") for the Balance Outstanding Sum together with interest, legal costs and expenses incurred for the transfer of the Properties and legal costs incurred in respect of the Second Statutory Demand. As at the LPD, Dahe has not complied with or responded to the Second Statutory Demand.

<u>SSSB vs Jien Chemicals Sdn Bhd ("Jien Chemicals")</u>

SSSB had on June 2009, commenced action against Jien Chemicals in the Shah Alam High Court for the sum of RM844,418 together with interest in respect of goods sold and delivered by SSSB to Jien Chemicals.

On 17 August 2009, a judgment in default in respect of the claim was obtained and on 19 November 2009, a letter of demand demanding for the judgment sum together with a sealed copy of the judgment in default dated 17 August 2009 was served on Jien Chemicals which Jien Chemicals had not complied with or responded to. SSSB had, since, discovered that Jien Chemicals had closed its operations.

(vii) Scomi Oiltools de Venezuela SA ("SODV")

<u>Angel Fernandez, Jose Figueroa, Luis Ordonez, Miguel Guerra, Miguel Jose Martinez, Edgar Ochoa, Adrian Ortega, Enny Padron, Hector Parta and Ydalberto Rojas vs SODV and PDVSA Gas SA ("PDVSA")</u>

This is a multiple-claimant action brought by 10 former employees whose rig workers' contracts were terminated following the end of work on a specific rig project. Their action was brought on 19 May 2009.

The 10 ex-employees ("**Employees**") who had worked for SODV in East District sued SODV for 10,243,234.71 Venezuelan Bolivar ("**VEF**") (USD 2,382,147.67). The Employees had previously accepted a "final payoff" from SODV, and had signed at the Labor Inspectorate to the effect that SODV no longer owes them money prior to introducing a second demand.

The Employees are demanding that the Collective Petroleum Contract rules should apply for the period prior to November 2007 and request that the element for the delay in calculation not be based on a simple percentage, but rather a multiple of normal day's salary according to the Collective Petroleum Contract. They also stated that the figure used by SODV in their calculations as "normal salary" is different from their understanding of this concept. However there are now a number of judgments by the Supreme Court to the effect that the Collective Petroleum Contract should be applied to solids control technicians only from November 2007 onwards. The litigants had based their claim on a decision of 10 April 2007, which is no longer being taken as precedent by the courts.

A preliminary hearing took place which failed to achieve a settlement of this matter, so it has been remanded for trial. An order was made for the admission of evidence.

The case is currently pending the extension of the trial hearing. SODV's external legal counsel has indicated that SODV has a fair chance of success in the case. Pursuant to current trends of the Supreme Court in its Social Cassation Chamber, it has been shown that the operators of solids control equipment are not eligible under the Collective Petroleum Contract regime before April 2007.

(viii)SODV

Yonaikin Olano ("the Employee") vs SODV

On 28 April 2011, the Employee filed a claim against SODV in relation to a cause of action arising from a workplace accident amounting to Bs. 683,619.30. External legal counsel has advised that the matter has proceeded to hearing and has been settled in the Venezuelan Courts with an award of Bs. 10,000 in damages granted in favour of the Employee.

(ix) Scomi Oiltools Algerie EURL ("SOAE")

Scomi Oiltools Algerie EURL vs the Finance Ministry in relation to an Appeal against Tax Authority Assessment on work undertaken by Oiltools Ltd (now known as Scomi Oiltools)

This is a case where a court application was made by SOAE against the Algerian Finance Ministry to set aside a tax demand of 182.000.000 Algerian Dinars ("**DA**") made by the Algerian tax authorities ("**Tax Authorities**"). Scomi Oiltools as a foreign company was doing "drilling work" in Algeria between 1995 and 1998 which attracted a lower 8% tax liability. The Tax Authorities' position was that Scomi Oiltools supplied "services", which attracted a 18% tax liability.

From the Tax Authorities' point of view, SOAE being a subsidiary of Scomi Oiltools and owned 100% by it, was responsible for paying the amount assessed by the Tax Authorities on Scomi Oiltools. The amount assessed by the Tax Authorities was DA182,000,000.

SOAE declined to pay the assessed amount because it did not arise out of revenue generated by it but was revenue generated by Scomi Oiltools. As a result, SOAE received pressure from the Tax Authorities that led ultimately to the freezing of SOAE's bank account.

SOAE paid 30% of that amount which was approximately DA55,000,000 (equivalent to US$750,000) on May 24, 2006 in order to unfreeze their account and is awaiting result of an appeal against the government tax ruling. If SOAE is successful in the appeal, the Tax Authorities would reimburse the DA55,000,000 to SOAE.

Two technical experts ("**Two Experts**") (Fiscal/ Tax and Technology) were appointed by the Administrative Court ("**Court**") and their reports were submitted to Court.

The Court subsequently rejected the 2 reports and decided to appoint a third Expert ("**3rd Expert**"), on the insistence of the Tax Authorities who claimed that the Two Experts designated by the Court wrote their report without taking into account the issue of "services".

The 3rd Expert has in May 2012 submitted his report to the Court which was in favor of SOAE. The Tax Authorities have requested the report issued by the 3rd Expert be rejected on the grounds that the 3rd Expert has only copied the report done by the first 2 Experts. SOAE's appointed external legal counsel had submitted a written response to the rejection in July 2012,They had also met the presiding judge on 24 October 2012 and was informed that there has been no reply from Tax Authorities on SOAE's legal counsel's last written response. SOAE has received notice from the Court to plead the case on 19 December 2012.

(x) SOEL

Arbitration - Norsk Gjenvinning Offshore AS and Norway Branch of SOEL

SOEL operated in Norway through its branch office in Stavanger, Norway (" **Branch Office**"). The Branch Office entered into a collaboration with Veolia AS ("**Veolia**") for the one-shore processing of drilling cuttings at a plant situated at Sandnessjoen pursuant to SOEL's contract with BP Norge AS.

Veolia is associated to Norsk Gjenvvinng Offshore AS ("**NG Offshore**") who took over the ownership and running of the Sandnessjoen plant. NG Offshore has started arbitration proceedings against SOEL for purported unpaid invoices amounting to approximately NOK 57,006,948.10 which SOEL is disputing. NG Offshore has admitted that SOEL is expected to invoice them for NOK9,075,760.71 which should be set-off against the amount claimed..

Attempts were made to settle the dispute out of court. SOEL had during negotiations agreed to make payment of NOK 10,928,083.06 of the NOK 57,006,948.10 invoiced. The matter has been referred to arbitration in Norway which is scheduled to take place in Oslo in June 2013. SOEL maintain that the invoices were inflated and that the delay in the commencement and running of operations at the Sandnessjoen plant was not attributable to SOEL. Following the earlier divestment of the assets and liabilities of the Branch Office to Oiltools AS (formerly known as Scomi Oiltools AS), SOEL has a liability limit of NOK 10 Million in relation to the claim and 50% of all incurred legal costs and expenses. SOEL is currently preparing its defence and legal counsel appointed to represent SOEL is of the opinion that it is difficult to anticipate the full outcome of the case as at this juncture.

6. HISTORICAL SHARE PRICES

The following table sets out the monthly high and low prices of SGB Shares transacted for the past 12 months from January 2012 to December 2012:

	High RM	Low RM
2012		
January	0.290	0.280
February	0.325	0.280
March	0.285	0.260
April	0.290	0.260
May	0.270	0.215
June	0.240	0.220
July	0.230	0.205
August	0.305	0.215
September	0.390	0.255
October	0.445	0.365
November	0.415	0.335
December	0.405	0.345

The last transacted price of SGB Shares on 21 September 2012, being the last trading day prior to the announcement of the Proposed Bonds Issue on 24 September 2012 is RM0.335.

The last transacted price of SGB Shares on 31 December 2012 (being the LPD) is RM0.350.

(Source: Bloomberg)

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours (except for public holidays) from the date of this Circular up to and including the date of the EGM, at the registered office of SGB:

(i) Memorandum and Articles of Association of SGB;

(ii) Letters of consent referred to in Section 2 above;

(iii) The relevant cause papers in respect of material litigation referred to in Section 5 above;

(iv) Audited consolidated financial statements of SGB Group for the FYE 31 December 2010 and 31 December 2011 and the latest unaudited quarterly financial statements for the SGB Group for the period ended 30 September 2012;

(v) Bonds Subscription Agreement;

(vi) Draft Deed Poll; and

(vii) Proforma Consolidated Statements of Financial Position of SGB as at 31 December 2011 together with the Reporting Accountants' letter thereon as referred to in Appendix I of this Circular.

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Scomi

SCOMI GROUP BHD
(Company No. 571212-A)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting ("**EGM**") of Scomi Group Bhd ("**SGB**" or "**Company**") will be held at Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 31 January 2013 at 2.30 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolution set out below:

ORDINARY RESOLUTION

PROPOSED ISSUANCE OF CONVERTIBLE REDEEMABLE SECURED BONDS OF AN AGGREGATE NOMINAL VALUE OF RM110.0 MILLION ("BONDS") ("PROPOSED BONDS ISSUE")

"THAT, subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Company to:

(i) allot and issue RM110.0 million nominal value of the Bonds, and that the Bonds shall be convertible into new ordinary shares of RM0.10 each in SGB ("**SGB Shares**") at a conversion price of RM0.365 and as provided in the Deed Poll or such other documents to be entered into, in relation to the Bonds; and

(ii) allot and issue such number of new SGB Shares to be issued arising from the conversion of the Bonds, in accordance with the terms and conditions of the Deed Poll at an issue price of RM0.365 for every new SGB Share;

THAT, such new SGB Shares shall, upon allotment and issue, rank pari passu in all respects with the then existing SGB Shares save and except that the holders of the new SGB Shares will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date which is prior to the allotment date of such new SGB Shares;

AND THAT the Directors of the Company be and are hereby empowered and authorised to give effect to the above with full powers to amend and/or assent to any conditions, modifications, variations and/or amendments as the Directors may deem fit, necessary and/or expedient in the interests of the Company or as may be imposed by the relevant regulatory authorities and to take all steps and do all acts, deeds and things and to enter into, execute, sign and deliver for and on behalf of the Company all commitments, transactions, arrangements, deeds, agreements, undertakings, indemnities, transfers, assignments and guarantees as they may consider necessary or expedient to implement, finalise and give full effect in connection with the above."

BY ORDER OF THE BOARD

ONG WEI LENG (MAICSA 7053539)
CHONG MEI YAN (MAICSA 7047707)
Company Secretaries

Petaling Jaya
16 January 2013

Notes:

1. *A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.*

2. *Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.*

3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares standing to the credit of the said securities account.*

4. *The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under the seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.*

5. *The instrument for appointing a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight hours before the time appointed for holding the EGM or any adjournment thereof.*

6. *For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 January 2013. Only depositor whose name appears on the General Meeting Record of Depositors as at 25 January 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

Scomi

SCOMI GROUP BHD
(Company No. 571212-A)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office: Level 17, 1 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan

FORM OF PROXY

CDS Account No	
No. of Ordinary Shares Held	

I/We... NRIC/Company No ....
(Full name as per NRIC/Certificate of Incorporation in capital letters)

of..
(Full address)

being a member/members of Scomi Group Bhd, hereby appoint ....
(Full name and NRIC/Passport No)

of..
(Full address)

or failing him/her...
(Full name and NRIC/Passport No)

of..
(Full address)

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the EGM of the Company to be held at Ballroom 2, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 31 January 2013 at 2.30 p.m. or any adjournment thereof:

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED BONDS ISSUE		

(Please indicate with an "X" in the space provided to show how you wish your vote to be cast. In the absence of specific instruction your proxy will vote or abstain as he/she thinks fit).

Dated this _______ day of ___________________ 2013

____
Signature/Seal of Shareholder(s)

Notes:

1. *A member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.*

2. *Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.*

3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy but not more than two proxies in respect of each securities account it holds with ordinary shares standing to the credit of the said securities account.*

4. *The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under the seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.*

5. *The instrument for appointing a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight hours before the time appointed for holding the EGM or any adjournment thereof.*

6. *For the purpose of determining a member who shall be entitled to attend the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 25 January 2013. Only depositor whose name appears on the General Meeting Record of Depositors as at 25 January 2013 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*

Fold this flap for sealing

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AFFIX
STAMP

Share Registrar of Scomi Group Bhd
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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