

**THIS SHARE BUY-BACK STATEMENT IS IMPORTANT AND
REQUIRES YOUR IMMEDIATE ATTENTION**

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

Bursa Malaysia Securities Berhad ("Bursa Securities") takes no responsibility for the contents of this Share Buy-back Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Share Buy-back Statement. In addition, in accordance with Practice Note 18 of the Main Market Listing Requirements of Bursa Securities, Bursa Securities has not perused the contents of this Share Buy-back Statement prior to its issuance.

Scomi

SCOMI GROUP BHD

(Company No: 571212-A)

(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT

IN RELATION TO THE

PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

(To be read together with the Resolution 8 in the
Notice of 9th Annual General Meeting ("AGM") as set out in our Annual Report 2010)

The above proposal will be tabled as Special Business at the AGM of Scomi Group Bhd. Notice of the AGM, to be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 29 June 2011 at 2.00 pm, is set out in the Annual Report of Scomi Group Bhd for the financial year ended 31 December 2010. A Form of Proxy is set out in the Annual Report of Scomi Group Bhd for the financial year ended 31 December 2010. You are urged to complete and deposit the Form of Proxy at 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, no later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging : Monday, 27 June 2011 at 2.00 pm
the Form of Proxy

Date and Time of AGM : Wednesday, 29 June 2011 at 2.00 pm or any adjournment thereof

Place of AGM : Ballroom 3, First Floor, Sime Darby Convention Centre
1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia

DEFINITIONS

Except where the context otherwise indicates, the following definitions shall apply throughout this Share Buy-back Statement:

"Act"	:	The Companies Act, 1965, as amended from time to time and any re-enactment thereof
"AGM"	:	Annual General Meeting
"Board"	:	Board of Directors of SGB
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Code"	:	Malaysian Code on Take-Overs and Mergers 1998 and any amendments thereof
"Dato' Kamal"	:	Dato' Kamaluddin bin Abdullah
"Central Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Director"	:	Has the meaning given in Section 2 of the Capital Markets and Services Act 2007
"EPS"	:	Earnings per share
"ESOS"	:	Employees' Share Option Scheme
"FYE"	:	Financial year ended / ending, as the case may be
"Kaspadu"	:	Kaspadu Sdn Bhd
"ICSLs"	:	Irredeemable Convertible Secured Loan Stock
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"Maximum Scenario"	:	Based on the assumption that as at 29 April 2011, the entire 74,938,500 unexercised ESOS options are fully exercised, the entire 882,977,217 unconverted ICSLS are fully converted and the entire 202,105,258 unexercised Warrants are fully exercised
"Minimum Scenario"	:	Based on the assumption that as at 29 April 2011, none of the unexercised ESOS options are exercised, none of the unconverted ICSLS are converted and none of the unexercised Warrants are fully exercised
"Onstream"	:	Onstream Marine Sdn Bhd
"Proposed Renewal of Authority for Share Buy-back"	:	Proposed renewal of authority for SGB to carry out the Proposed Share Buy-back
"Proposed Share Buy-back"	:	Proposed purchase of up to ten percent (10%) of SGB's issued and paid-up share capital pursuant to Section 67A of the Act
"RM"	:	Ringgit Malaysia

“Purchased Shares”	:	Shares purchased pursuant to the Proposed Share Buy-back
“SGB” or “Company”	:	Scomi Group Bhd, a public company incorporated in Malaysia
“SGB Share(s)” or “Share(s)”	:	Ordinary share(s) of RM0.10 each in SGB
“Shah Hakim”	:	Shah Hakim @ Shahzanim bin Zain
“Share Buy-back Mandate”	:	Mandate granted by shareholders at SGB’s 8 th AGM held on 29 June 2010
“Substantial Shareholder”	:	Has the meaning given in Section 69D of the Act

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

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Scomi

SCOMI GROUP BHD

(Company No: 571212-A)

(Incorporated in Malaysia under the Companies Act, 1965)

SHARE BUY-BACK STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

1. INTRODUCTION

- 1.1 On 21 April 2011, we announced our intention to seek a renewal of an existing authority from our shareholders for Share Buy-back.
- 1.2 The purpose of this Statement is to provide you with the details of the Proposed Renewal of Authority for Share Buy-back and to seek your approval for the resolution relating to the said proposal to be tabled at our forthcoming AGM. The Ordinary Resolution pertaining to the Proposed Renewal of Authority for Share Buy-back is set out as Special Business in the Notice of AGM contained in the Annual Report of the Company for the financial year ended 31 December 2010, which was sent to you together with this Statement.

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

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

- 2.1 At our 8th AGM held on 29 June 2010, we obtained the renewal of authority from our shareholders to undertake the purchase of up to ten percent (10%) of our issued and paid-up share capital at the time of purchase through Bursa Securities.
- 2.2 In accordance with the Listing Requirements, the authority obtained by our Board for the purchase of our own Shares may only continue to be in force until:
- (i) the conclusion of our next AGM (at which time it shall lapse unless the authority is renewed by ordinary resolution passed at that meeting, either unconditionally or subject to conditions);
 - (ii) the expiration of the period within which our next AGM is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by our shareholders in a general meeting,
- whichever occurs first.
- 2.3 Accordingly, in view of the expiry of the Share Buy-back Mandate at the conclusion of our forthcoming AGM which will be held on Wednesday, 29 June 2011 at 2.00 pm, our Board proposes to seek your approval for the Proposed Renewal of Authority for Share Buy-back at our forthcoming AGM.

2.4 Maximum number of Shares to be acquired pursuant to the Proposed Share Buy-back

As at 29 April 2011, our total issued and paid-up share capital is RM117,088,907.20 comprising 1,170,889,072 Shares (excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares). In addition, as at 29 April 2011, we have a total of 74,938,500 unexercised ESOS options, a total of 882,977,217 unconverted ICSLS and a total of 202,105,258 unexercised Warrants. Hence, strictly for illustrative purposes only, in the event that the Proposed Renewal of Authority for Share Buy-back is approved by our shareholders, the maximum number of Shares that we may acquire pursuant to the Proposed Share Buy-back based on the Minimum Scenario and Maximum Scenario is 117,088,907 Shares and 166,867,713 Shares respectively.

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

3. SOURCE OF FUNDS

- 3.1 Pursuant to the Listing Requirements, the funding for the purchase of SGB Shares shall be limited to the amount equivalent to the aggregate of the Company's retained profits and/or share premium and may either be undertaken with internally generated funds and/or borrowings. Accordingly, our Board proposes to allocate an amount of funds which will not exceed the aggregate sum of the retained earnings and/or share premium of our Company in respect of any purchase of our own Shares pursuant to the Proposed Share Buy-back.
- 3.2 Based on our latest audited accounts as at 31 December 2010, our Company's retained earnings and share premium are RM379.69 million and RM275.93 million respectively. Based on our latest unaudited accounts as at 31 March 2011, our Company's retained profit and share premium were RM376.52 million and RM276.34 million respectively.
- 3.3 We will fund the Proposed Share Buy-back from internally generated funds and/or borrowings. If we purchase our own Shares using external borrowings, our Board will ensure that we have sufficient funds to repay the external borrowings and that the said repayments will not have a material effect on our cash flow.
- 3.4 The actual number of Shares to be purchased, the total amount of funds to be utilised, impact on cash flow and the timing of the purchase(s) will depend on the prevailing equity market conditions and sentiments as well as the financial resources available to us at the time of the purchase(s).
- 3.5 During the financial year ended 31 December 2010, we have not purchased our own Shares. As at 29 April 2011, the Purchased Shares pursuant to the previous Share Buy-back Mandate were 14,427,200 and all Purchased Shares have been retained as treasury shares. There was no resale or cancellation of the treasury shares during the financial year ended 31 December 2010.

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

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

4.1 Minimum Scenario

Directors

	-----Existing as at 29 April 2011-----					-----After the Proposed Share Buy-back-----								
	<-----Direct Interest----->			<-----Indirect Interest----->			<-----Direct Interest--->		<-----Indirect Interest----->					
	No. of Shares	%	No. of ESOS Options	No of ICSLs	No of Warrants	No. of Shares	%	No. of ESOS Options	No of ICSLs	No of Warrants	No. of Shares	%	No. of Shares	%
Tan Sri Asmat bin Kamaludin	265,000 ⁽¹⁾	0.02	700,000 [#]	397,500 ⁽²⁾	53,000 ⁽³⁾	-	-	140,000 ⁻	-	-	265,000 ⁽¹⁾	0.02	-	-
Tan Sri Nik Mohamed bin Nik Yaacob	-	-	600,000 [#]	-	-	-	-	-	-	-	-	-	-	-
Datuk Haron bin Siraj Dato'	120,000	0.01	600,000 [#]	-	-	-	-	-	-	-	120,000	0.01	-	-
Mohammed Azlan bin Hashim	-	-	600,000 [#]	-	-	-	-	-	-	-	-	-	-	-
Datuk Mohamed Azman bin Yahya	-	-	600,000 [#]	-	-	10,000,000 ⁽⁴⁾	0.85	-	15,000,000 ⁽⁵⁾	2,000,000 ⁽⁵⁾	-	-	10,000,000 ⁽⁴⁾	0.95
Foong Choong Hong	410,000	0.03	350,000 [#]	-	-	-	-	-	-	-	410,000	0.04	-	-
Sreesanthan a/l Eliathamby	-	-	420,000 [#]	-	-	-	-	-	-	-	-	-	-	-
Dato' Abdul Rahim bin Abu Bakar	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shah Hakim	529,100	0.04	7,356,500 [#]	-	-	172,275,025 ⁽⁴⁾	14.71	-	-	-	529,100	0.05	172,275,025 ⁽⁴⁾	16.35
No. of Shares in Issue	<u>1,170,889,072[@]</u>					<u>1,170,889,072[@]</u>					<u>1,053,800,165</u>		<u>1,053,800,165</u>	

Notes:

- # Options granted pursuant to the Company's ESOS to subscribe for SGB Shares.
- Deemed interested by virtue of Section 134(12)(c) of the Act through the ESOS options granted to his daughter: Sarah binti Asmat for 140,000 units pursuant to the Company's ESOS to subscribe for SGB Shares.
- @ Excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares.
- (1) Deemed interested by virtue of Section 6A(2) of the Act through his interest in Bi-bot Holdings Sdn Bhd, whereby 215,000 ordinary shares are held through CIMSEC Nominees (Tempatan) Sdn Bhd.
- (2) Deemed interested by virtue of Section 6A(2) of the Act through his interest in Bi-bot Holdings Sdn Bhd, whereby 322,500 ICSLs are held through CIMSEC Nominees (Tempatan) Sdn Bhd.

- (3) Deemed interested by virtue of Section 6A(2) of the Act through his interest in Bi-bot Holdings Sdn Bhd, whereby 43,000 Warrants are held through CIMSEC Nominees (Tempatan) Sdn Bhd.
- (4) Deemed interested by virtue of Section 6A(4) of the Act through his and his wife's direct shareholdings in Gajahrimau Capital Sdn Bhd, whereby all the 10,000,000 shares are held through ABB Nominees (Tempatan) Sdn Bhd.
- (5) Deemed interested by virtue of Section 6A(4) of the Act through his and his wife's direct shareholdings in Gajahrimau Capital Sdn Bhd, whereby all the 15,000,000 ICCLS and 2,000,000 Warrants are held through ABB Nominees (Tempatan) Sdn Bhd.
- (6) Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu.

4.1 Minimum Scenario

Substantial Shareholders

	-----Existing as at 29 April 2011-----					-----After the Proposed Share Buy-back-----									
	Direct Interest		Indirect Interest			Direct Interest		Indirect Interest							
	No. of Shares	%	No. of ESOS Options	No of ICCLS	No of Warrants	No. of Shares	%	No. of ESOS Options	No of ICCLS	No of Warrants	No. of Shares	%	No. of Shares	%	
Kaspadu	85,753,055 ⁽¹⁾	7.32	-	-	-	86,521,970 ⁽²⁾⁽³⁾	7.39	-	-	-	85,753,055 ⁽¹⁾	8.14	86,521,970 ⁽²⁾⁽³⁾	8.21	
Onstream	86,521,970 ⁽³⁾	7.39	-	-	-	-	-	-	-	-	86,521,970	8.21	-	-	
Shah Hakim	529,100	0.04	-	-	-	172,275,025 ⁽⁴⁾	14.71	-	-	-	529,100	0.05	172,275,025 ⁽⁴⁾	16.35	
Dato' Kamal	-	-	-	-	-	172,275,025 ⁽⁴⁾	14.71	-	-	-	-	-	172,275,025 ⁽⁴⁾	16.35	
No. Of Shares in issue	<u>1,170,889,072[@]</u>					<u>1,170,889,072[@]</u>				<u>1,053,800,165</u>		<u>1,053,800,165</u>			

Notes:

- [@] Excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares.
- (1) 80,825,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and A.A. Anthony Nomineess (Tempatan) Sdn Bhd.
- (2) Deemed interested by virtue of Section 6A(4) of the Act through its shareholding in Onstream.
- (3) 85,396,630 shares held through UOBM Nominees (Tempatan) Sdn Bhd.
- (4) Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu.

4.2 Maximum Scenario

Directors

	<-----Existing as at 29 April 2011----->				Assuming full exercise of unexercised ESOS Options				After (I) and assuming full conversion of unconverted ICSSL and full exercise of unexercised Warrants				After (II) and the Proposed Share Buy-back			
	<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Asmat bin Kamaludin	265,000 ⁽¹⁾	0.02	-	-	965,000 ⁽¹⁾	0.08	140,000 ⁽²⁾	0.01	1,117,375 ⁽³⁾	0.07	140,000 ⁽²⁾	0.01	1,117,375 ⁽³⁾	0.07	140,000 ⁽²⁾	0.01
Tan Sri Nik Mohamed bin Nik Yaacob	-	-	-	-	600,000	0.05	-	-	600,000	0.03	-	-	600,000	0.04	-	-
Datuk Haron bin Siraj Dato' Mohammed Azlan bin Hashim	120,000	0.01	-	-	720,000	0.06	-	-	720,000	0.04	-	-	720,000	0.05	-	-
Datuk Mohamed Azman bin Yahya	-	-	10,000,000 ⁽⁴⁾	0.85	600,000	0.05	10,000,000 ⁽⁴⁾	0.80	600,000	0.03	15,750,000 ⁽⁵⁾	0.94	600,000	0.04	15,750,000 ⁽⁵⁾	1.05
Foong Choong Hong	410,000	0.03	-	-	760,000	0.06	-	-	760,000	0.04	-	-	760,000	0.05	-	-
Sreesanthan a/l Eliathamby Dato' Abdul Rahim bin Abu Bakar Shah Hakim	-	-	-	-	420,000	0.03	-	-	420,000	0.02	-	-	420,000	0.03	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	529,100	0.04	172,275,025 ⁽⁶⁾	14.71	7,885,600	0.63	172,275,025 ⁽⁶⁾	13.82	7,885,600	0.47	172,275,025 ⁽⁶⁾	10.32	7,885,600	0.52	172,275,025 ⁽⁶⁾	11.47
No. of Shares in issue	<u>1,170,889,072[@]</u>		<u>1,170,889,072[@]</u>		<u>1,245,827,572</u>		<u>1,245,827,572</u>		<u>1,668,677,134</u>		<u>1,668,677,134</u>		<u>1,501,809,421</u>		<u>1,501,809,421</u>	

Notes:

Options granted pursuant to the Company's ESOS to subscribe for SGB Shares.

@ Excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares.

(1) Deemed interested by virtue of Section 6A(2) of the Act through his interest in Bi-bot Holdings Sdn Bhd, whereby 215,000 ordinary shares are held through CIMSEC Nominees (Tempatan) Sdn Bhd.

(2) Deemed interested by virtue of Section 134(12)(c) of the Act through the shareholding held by his daughter, Sarah binti Asmat.

- (3) Deemed interested by virtue of Section 6A(2) of the Act through his interest in Bi-bot Holdings Sdn Bhd, whereby 338,625 ordinary shares are held through CIMSEC Nominees (Tempatan) Sdn Bhd.
- (4) Deemed interested by virtue of Section 6A(4) of the Act through his and his wife's direct shareholdings in Gajahrimau Capital Sdn Bhd, whereby all the 10,000,000 Shares are held through ABB Nominees (Tempatan) Sdn Bhd.
- (5) Deemed interested by virtue of Section 6A(4) of the Act through his and his wife's direct shareholdings in Gajahrimau Capital Sdn Bhd, whereby all the 15,750,000 Shares are held through ABB Nominees (Tempatan) Sdn Bhd.
- (6) Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu.

4.2 Maximum Scenario

Substantial Shareholders

	<-----Existing as at 29 April 2011----->		Assuming full exercise of unexercised ESOS Options				After (I) and assuming full conversion of unconverted ICSLS and full exercise of unexercised Warrants (I)				After (II) and the Proposed Share Buy-back					
	<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->		<--Direct Interest-->		<--Indirect Interest-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Kaspadu	85,753,055 ⁽¹⁾	7.32	86,521,970 ⁽²⁾⁽³⁾	7.39	85,753,055 ⁽¹⁾	6.88	86,521,970 ⁽²⁾⁽³⁾	6.94	85,753,055 ⁽¹⁾	5.14	86,521,970 ⁽²⁾⁽³⁾	5.18	85,753,055 ⁽¹⁾	5.71	86,521,970 ⁽²⁾⁽³⁾	5.76
Onstream	86,521,970 ⁽³⁾	7.39	-	-	86,521,970 ⁽³⁾	6.94	-	-	86,521,970 ⁽³⁾	5.18	-	-	86,521,970 ⁽³⁾	5.76	-	-
Shah Hakim	529,100	0.04	172,275,025 ⁽⁴⁾	14.71	7,885,600	0.63	172,275,025 ⁽⁴⁾	13.82	7,885,600	0.47	172,275,025 ⁽⁴⁾	10.32	7,885,600	0.52	172,275,025 ⁽⁴⁾	11.47
Dato' Kamal	-	-	172,275,025 ⁽⁴⁾	14.71	-	-	172,275,025 ⁽⁴⁾	13.82	-	-	172,275,025 ⁽⁴⁾	10.32	-	-	172,275,025 ⁽⁴⁾	11.47
No. of Shares in issue	<u>1,170,889,072[@]</u>		<u>1,170,889,072[@]</u>		<u>1,245,827,572</u>		<u>1,245,827,572</u>		<u>1,668,677,134</u>		<u>1,668,677,134</u>		<u>1,501,809,421</u>		<u>1,501,809,421</u>	

Notes:

- [@] Excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares.
- (1) 80,825,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and A.A. Anthony Nominees (Tempatan) Sdn Bhd.
- (2) Deemed interested by virtue of Section 6A(4) of the Act through its shareholding in Onstream.
- (3) 85,396,630 shares held through UOBM Nominees (Tempatan) Sdn Bhd.
- (4) Deemed interested by virtue of Section 6A(4) of the Act through his shareholding in Kaspadu.

Save for the proportionate increase in the percentage shareholdings including, amongst others, the voting rights of our shareholders, none of our Directors, Substantial Shareholders and persons connected to them has any interest, direct or indirect, in the Proposed Share Buy-back.

5. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

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

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

6. RISK ASSESSMENT OF THE PROPOSED SHARE BUY-BACK

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

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7. FINANCIAL EFFECT OF THE PROPOSED SHARE BUY-BACK

7.1 Share Capital

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

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

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

	<-----No. of Shares-----> as at 29 April 2011	
	Minimum Scenario	Maximum Scenario
Existing issued and paid-up share capital ⁽¹⁾	1,170,889,072	1,170,889,072
Assuming full exercise of the entire unexercised ESOS Options	-	74,938,500
	1,170,889,072	1,245,827,572
Assuming full conversion of the entire unconverted ICCLS	-	220,744,304
Assuming full exercise of the entire unexercised Warrants	-	202,105,258
Enlarged issued and paid-up share capital	1,170,889,072	1,668,677,134
Cancellation of Shares purchased pursuant to the Proposed Share Buy-back ⁽²⁾	(117,088,907)	(166,867,713)
Issued and paid-up share capital after the Proposed Share Buy-back and cancellation of Purchased Shares	1,053,800,165	1,501,809,421

Notes:

⁽¹⁾ Excluding 14,427,200 Shares previously purchased by the Company pursuant to the Share Buy-back Mandate and currently retained as treasury shares.

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

7.2 Net Assets

(a) If Purchased Shares are retained as treasury shares and/or cancelled

When we purchase our own Shares, regardless of whether they are retained as treasury shares and/or cancelled, the net assets per Share of the Group will decrease if the cost per Share purchased exceeds the net assets per Share of the Group at the relevant point in time. However, if the cost per Share purchased is below the net assets per Share of the Group at the relevant point in time, the net assets per Share of the Group will increase.

(b) If Purchased Shares are retained as treasury shares and subsequently resold

In the case where the Purchased Shares are treated as treasury shares and subsequently resold on Bursa Securities, the net assets per Share of the Group upon the resale will increase if we realise a gain from the resale, and vice-versa. If the treasury shares are distributed as share dividends, the net assets per share of the Group will decrease.

7.3 Working Capital

The Proposed Share Buy-back will reduce our working capital, the quantum of which depends on the purchase price(s) of the Purchased Shares and the number of Purchased Shares and the effective funding cost or any loss in interest income to us. The cash flow of the Company and the Group will be reduced relative to the number of Purchased Shares and the purchase price(s) of the Purchased Shares.

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

7.4 Earnings

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

7.5 Dividends

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

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

8. PUBLIC SHAREHOLDING SPREAD

According to our Record of Depositors and Register of Substantial Shareholders as at 29 April 2011, our public shareholding spread is eighty four point twenty two percent (84.22%). Our Board will be mindful in ensuring that the public shareholding spread requirement of at least twenty five percent (25%) of our issued and paid-up share capital (excluding treasury shares) held by public shareholders, is complied at all times and will not carry out the Proposed Share Buy-back if it will result in our public shareholding spread not being met.

9. IMPLICATIONS OF THE PROPOSED SHARE BUY-BACK ON THE CODE

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

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

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

9.2 Based on the Register of Substantial Shareholders of the Company as at 29 April 2011, there should be no implication with regard to the Code on the Company and its Substantial Shareholders arising from the Proposed Share Buy-back even in the event that the Proposed Share Buy-back is implemented in full.

10. DIRECTORS' RECOMMENDATION

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

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

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