

## 8. APPROVALS AND CONDITIONS

### 8.1 CONDITIONS ON APPROVALS FOR THE FLOTATION SCHEME

The Flotation Scheme has been approved by the FIC on 20 June 2002, 28 June 2002 and 24 March 2003, MITI on 30 September 2002, 1 October 2002, 25 February 2003 and 22 March 2003 and the SC on 7 October 2002, 6 March 2003 and 31 March 2003 respectively.

No conditions have been imposed by the FIC in its approval of the Flotation Scheme. The conditions imposed by MITI and the SC and their respective status of compliance are set out below.

<b>Authority / details of conditions imposed</b>	<b>Status of compliance</b>																		
<i>Conditions imposed by MITI vide its letters dated 30 September 2002, 1 October 2002, 25 February 2003 and 22 March 2003.</i>																			
1. SGB is to obtain the approvals of the FIC and the SC.	Complied																		
2. MITI has recognised the following shareholdings in SGB as Bumiputera shareholdings of SGB ("Approved Bumiputera Shareholdings"):																			
<table border="0"> <thead> <tr> <th style="text-align: left;"><b>Shareholder</b></th> <th style="text-align: right;"><b>No. of Shares</b></th> <th style="text-align: right;"><b>%</b></th> </tr> </thead> <tbody> <tr> <td>Kaspadu</td> <td style="text-align: right;">27,226,878</td> <td style="text-align: right;">27.2</td> </tr> <tr> <td>Onstream Marine</td> <td style="text-align: right;">26,015,247</td> <td style="text-align: right;">26.0</td> </tr> <tr> <td>via AVSB</td> <td style="text-align: right;">7,371,927</td> <td style="text-align: right;">7.4</td> </tr> <tr> <td>Tan Sri Dato' Abdul Aziz bin Zain</td> <td style="text-align: right;">5,029,736</td> <td style="text-align: right;">5.0</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><b>65,643,788</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>65.6</b></td> </tr> </tbody> </table>	<b>Shareholder</b>	<b>No. of Shares</b>	<b>%</b>	Kaspadu	27,226,878	27.2	Onstream Marine	26,015,247	26.0	via AVSB	7,371,927	7.4	Tan Sri Dato' Abdul Aziz bin Zain	5,029,736	5.0		<b>65,643,788</b>	<b>65.6</b>	
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The recognition of the above Approved Bumiputera Shareholdings is subject to the following:																			
(a) 30% of the following portion of the Approved Bumiputera Shareholdings can be sold during the period of 12 months after the listing of SGB; and	To be complied after the Listing																		
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(b) the remaining 70% of the Approved Bumiputera Shareholdings set out in (a) above can only be sold thereafter in stages upon obtaining the prior approval of MITI.	To be complied after the Listing																		
<i>Conditions imposed by the SC vide its letter dated 7 October 2002, 6 March 2003 and 31 March 2003</i>																			
1. The utilisation of proceeds raised from the Public Issue is subject to the following conditions:																			
(a) The SC's approval is required to be sought for any changes made to the utilisation of proceeds, as originally proposed, in the event such changes involve any form of utilisation other than for the core business activities of the SGB Group;	To be complied, if applicable																		
(b) The approval of the shareholders of SGB is required in the event the utilisation of proceeds deviates by 25% or more from the utilisation originally proposed by SGB. In the event the deviation is less than 25%, the appropriate disclosure is required to be made to the shareholders of SGB;	To be complied, if applicable																		

**8. APPROVALS AND CONDITIONS (Cont'd)**

Authority / details of conditions imposed	Status of compliance
(c) The timeframe for the utilisation of proceeds must be disclosed in the Prospectus. Any extension of time from the timeframe set by SGB for the utilisation of proceeds is required to be approved by a final resolution of the Board of Directors of SGB and is required to be fully disclosed to the KLSE; and	To be complied, if applicable
(d) Appropriate disclosure regarding the status of utilisation of proceeds is required to be made in SGB's quarterly and annual reports until the said proceeds have been fully utilised	To be complied on an on-going basis
2. In the event the Public Issue involves a placement tranche, RHB Sakura / SGB is required to fulfil the following conditions:	
(a) At least 3 million Shares must be allocated to public investors by way of ballot, whereby 30% is to be allocated to Bumiputera investors.	Complied
For the remaining Shares which are to be allocated by way of placement, RHB Sakura / SGB is required to comply with the following conditions:	
(i) At least 30% of the Shares under the placement tranche must be allocated, to the extent possible, to Bumiputera investors;	Complied
(ii) The placement of the Shares must be effected through an independent placement agent. The public investors must be identified and nominated by the said independent placement agent (other than placements made to Bumiputera investors for the purpose of complying with the National Development Policy) and must not be identified and nominated by SGB;	Complied
(iii) The adviser or independent placement agent, as the case may be, must forward to the SC the final list of investors for the SC's information and a written confirmation that the placement exercise adheres to the Policies and Guidelines on Issue / Offer of Securities issued by the SC ("SC Guidelines") after the placement has been implemented; and	To be complied following the implementation of the placement tranche
(iv) In the event the said placement is implemented without any underwriting, irrevocable letters of undertaking must be obtained from the identified investors to subscribe for the Shares under the placement tranche; and	Complied
(b) RHB Sakura / SGB is required to forward the number of Shares allocated to the public by way of ballot and by way of placement to the SC for its information as soon as the final distribution for the 10,829,000 new Shares has been finalised.	Complied
3. RHB Sakura / SGB must comply with the conditions imposed under the hire-and-drive licences issued by the Commercial Vehicle Licensing Board ("CVLB") and inform the SC on the following matters prior to the issuance of the Prospectus:	
(a) SGB must ensure that the said vehicles have comprehensive insurance which complies with the conditions imposed by CVLB; or	Complied – for SMAS' vehicles which are governed under the CVLB licences, SMAS has already obtained comprehensive insurance for all these vehicles which complies with the conditions imposed by CVLB
(b) SGB must obtain a written confirmation from MCAT that the non-compliance with the said CVLB condition is permitted.	

**8. APPROVALS AND CONDITIONS (Cont'd)**

<b>Authority / details of conditions imposed</b>	<b>Status of compliance</b>
The SGB Group is also required to ensure that all of its assets are fully insured and that it has taken adequate insurance against potential accidents and losses (including claims for personal injuries and other liabilities from the public) which may arise as a result of hazards and other risks of the operations of the SGB Group.	Complied
4. The certificate of fitness for occupation ("CF") for the building situated at KSB and for Scomi's factory must be obtained prior to the issuance of the Prospectus.	Complied – the CFs for the buildings situated at KSB were obtained on 22 December 2002 and 24 March 2003 while the CF for Scomi's factory was obtained on 3 December 2002.
5. The tenancy / lease agreement for KMC's premises at KSB must be renewed prior to the issuance of the Prospectus.	Complied – the tenancy for KMC's premises at KSB has been renewed until the year 2014
6. RHB Sakura is required to forward a written confirmation to the SC on the following matters pertaining to the management agreement between Kaspadu, Scomi, KMC and SCOPE prior to the issuance of the Prospectus:	Not applicable - the management agreement has been mutually terminated by the parties thereto effective on 31 March 2003
(a) whether the fees payable to Kaspadu are reasonable based on normal commercial terms for similar services provided; and	
(b) whether the said agreement is reasonable and based on terms and conditions that are not unfavourable to the SGB Group.	
7. A written confirmation from the Director General of the Inland Revenue Board of Malaysia on the outstanding back-duty agreement executed by KMC must be obtained prior to the issuance of the Prospectus.	Complied
Any additional tax liability must be charged to KMC's account.	Complied
8. Full disclosure must be made in the Prospectus on the following:	
(a) The effects of the issuance and implementation of the ESOS on SGB, including the effects on the EPS and the NTA per Share of SGB, details on the utilisation of proceeds arising from the exercise of the ESOS options and the rights attaching to the class of securities, if different;	Complied – please refer to Sections 6.4, 12.2.1 and 12.3 of this Prospectus
(b) The depletion of oil reserves in Malaysia due to the lack of new discoveries over the past few years, the dependence of the oil and gas division of SGB on its 3 main customers and the limited growth prospects for the drilling fluids industry in Malaysia, as well as measures taken / to be taken to address such risks;	Complied – please refer to Sections 4.3 and 4.11 of this Prospectus
(c) The risks in relation to the new business, i.e. fleet management, where the SGB Group has limited prior experience and the measures taken / to be taken to address the said issues;	Complied – please refer to Section 4.13
(d) The existing contracts for the oil and gas division of SGB will expire in 2003 and comments whether the said contracts can be renewed as well as measures taken / to be taken to ensure new contracts will be procured;	Complied – please refer to Section 4.11 of this Prospectus
(e) That presently, SCOPE has only 1 contract and comments on the effects on SCOPE should the said contract be terminated as well as measures taken / to be taken to secure other contracts in the future;	Complied – please refer to Section 4.14 of this Prospectus

**8. APPROVALS AND CONDITIONS (Cont'd)**

<b>Authority / details of conditions imposed</b>	<b>Status of compliance</b>
(f) Business risks and other risks relating to the transportation engineering division of SGB;	Complied – please refer to Section 4 of this Prospectus
(g) The risk management plan and the practices adopted to handle the main risks of the SGB Group, including risks whereby the rented / leased premises may not be renewed, risks relating to the handling, storage and transportation of various dangerous chemicals which might be toxic and flammable, the risks of fire, explosion, leakage of chemicals and the electric energy crisis and other emergency risks which may disrupt the operations of the SGB Group; and	Complied – please refer to Section 6.5.5 of this Prospectus
(h) The banking relationship between RHB Sakura and the SGB Group as well as justification that the said banking relationship will not arise in a conflict of interest situation.	Complied – please refer to Section 9.2 of this Prospectus
9. To forward the following documents to the SC:	
(a) The latest copy of the ESOS By-laws for the SC's records;	To be complied prior to the Listing
(b) A letter of confirmation from RHB Sakura stating that:	To be complied prior to the Listing
(i) all of the SC's conditions of approval have been complied with and that the ESOS By-laws do not contravene the SC's Guidelines on ESOS; and	
(ii) the ESOS has been approved by all other relevant parties and that it complies with all the conditions imposed, if applicable, and	
(c) For each subsequent alteration / change to the ESOS By-laws, SGB is required to submit a confirmation letter to the SC confirming that the said alteration / changes do not contravene the SC's Guidelines on ESOS.	To be complied, if applicable
10. The SGB Group is not allowed to be involved in activities unrelated to its core business activities for at least 3 years after the date of listing of SGB on the Second Board of the KLSE.	Noted
11. The Directors and major shareholders of the SGB Group are required to give an undertaking that they will not get involved in any business of a similar or competitive nature to that of the SGB Group in the future.	Waiver from full compliance with this condition was approved by the SC on 31 March 2003. Please refer to item 19 below for conditions imposed on the waiver granted by the SC
Disclosure is required to be made in the Prospectus that the Directors and major shareholders of SGB are currently not involved in any business of a similar or competitive nature to that of the SGB Group.	Complied – please refer to Section 17.3(h) of this Prospectus
The Directors of the SGB Group who hold full time positions in the SGB Group are not allowed to hold any other full time positions in their personal business.	Complied
12. Any future transactions between the SGB Group and companies related to the Directors / major shareholders of SGB must be made on an 'arms-length' basis and must not be based on terms that are unfavourable to the SGB Group.	Noted
The existing transactions between the said parties must be fully disclosed in the Prospectus.	Complied - please refer to Section 9.1 of this Prospectus

**8. APPROVALS AND CONDITIONS (Cont'd)**

Authority / details of conditions imposed	Status of compliance
SGB's audit committee is required to monitor, and the Board of Directors of SGB is required to report on, any such transactions in SGB's annual report.	Noted
13. In accordance with Paragraph 10.12 of the SC Guidelines, a moratorium is imposed on the disposal of 45,000,000 Shares held by the promoters of SGB, representing 45% of the enlarged issued and paid-up share capital of SGB, whereby they are not permitted to sell, transfer or assign their shareholdings under the said moratorium within 1 year from the date of listing of SGB on the KLSE.	
Where the above moratorium is applicable to promoters that are private companies, every shareholder of the private companies (if individual) or every ultimate individual shareholder (if the private shareholder concerned is another private company) shall submit a written undertaking that they will not sell, transfer or assign their said shareholdings in the private company concerned during the period while the moratorium is in force.	Complied
14. RHB Sakura / SGB is required to give a written confirmation to the SC once the allocation of Shares under the Pink Form Tranche is fully implemented, that the allocation of Shares thereunder to the Directors and employees as well as suppliers and persons who have contributed to the success of the SGB Group fulfils the requirements of Chapter 10 of the SC Guidelines.	To be complied prior to the Listing
15. SGB is required to have a management development and succession plan which is to be disclosed in the Prospectus.	Complied – please refer to Sections 6.5.5 and 6.5.6 of this Prospectus
16. With regards to the trade debtors of the SGB Group:	
(a) Full disclosure is required to be made in the Prospectus on the Group's trade debtors, the debtors' ageing analysis and comments from the Directors of SGB on the recoverability of amounts exceeding the credit period;	Complied – please refer to Section 12.1.4 of this Prospectus
(b) Full provision must be made for trade debts for which:	Complied
(i) there have been disputes on the amounts;	
(ii) legal action has been instituted; and	
(iii) the ageing is in excess of 6 months;	
(c) The Directors of SGB are required to submit a written confirmation to the SC that trade debts which have exceeded their credit period are recoverable and that provision has been made for doubtful / bad debts in the financial results as well as the financial forecast / projections of the SGB Group.	Complied
17. SGB is required to fully comply with other relevant requirements in relation to the listing of a company as stipulated under the SC Guidelines.	To be complied on an on-going basis

**8. APPROVALS AND CONDITIONS (Cont'd)**

Authority / details of conditions imposed	Status of compliance
18. SGB as well as the relevant parties are required to submit a written confirmation to the SC on the compliance of all terms and conditions as above after the proposal is implemented.	To be complied prior to the Listing
<p>19. The Directors and Major Shareholders of the SGB Group are required to give an undertaking that, save for their current directorships and/or interests in any business or enterprise which is similar in nature or in direct competition with the core activities of the SGB Group, they shall not establish or carry on any business or enterprise which is similar in nature or in direct competition with the core activities of the SGB Group for as long as they are a Director and/or Major Shareholder of the SGB Group, subject to the following:</p> <p>(a) they shall be permitted to hold equity or other interests and/or non-executive directorships in any entity ("Other Entity") conducting business or activities which might be similar in nature or in direct competition with the core business of the SGB Group provided that they shall not:</p> <p>(i) hold executive positions or participate in the day-to-day operation of the Other Entity nor be involved in any way in the formulation of the business plans and strategies of the Other Entity; and</p> <p>(ii) hold or have the entitlement to exercise or control the exercise of more than 5% of the voting shares of the Other Entity, and</p> <p>(b) they will not use any information obtained in their capacity as the Directors and/or Major Shareholders of the SGB Group for other businesses which may be to the detriment of the SGB Group.</p>	Complied
Full disclosure must be made in the Prospectus on the following:	
(a) That presently, AVSB and Zulkefli bin Yahya, as a Major Shareholder and Director of the SGB Group respectively have interests and/or involvement in businesses that are similar/competing with the SGB Group's business, namely Mansfield Car Rental Sdn Bhd, and measures taken / to be taken to mitigate any risks of direct or indirect conflicts of interest with the SGB Group's business; and	Complied – please refer to Section 17.3(h) of this Prospectus.
(b) That presently, Tan Sri Datuk Asmat bin Kamaludin, as a Director of the SGB Group has interests and/or involvement in businesses that are similar/competing with the SGB Group's business, i.e. UMW Holdings Berhad through UMW Engineering Sdn Bhd and UMW Petrodril (Malaysia) Sdn Bhd, together with measures taken / to be taken to mitigate any risks of direct or indirect conflicts of interest with the SGB Group's business.	Complied – please refer to Section 17.3(h) of this Prospectus.

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**8. APPROVALS AND CONDITIONS (Cont'd)****8.2 MORATORIUM ON SHARES**

The SC, in approving the listing of SGB, imposed a moratorium on the disposal of Shares by the Promoters of SGB. The moratorium will be imposed on the sale of 45,000,000 Shares representing 45% of the enlarged issued and paid-up share capital of SGB held by the Promoters as set out below. Such Promoters are not allowed to sell, transfer or assign their respective shareholdings in SGB which are placed under moratorium within one year from the date of admission of SGB to the Official List of the Second Board of the KLSE. Such restriction on sale shall cease to apply upon the expiry of one year after the date of admission of SGB to the Official List of the Second Board of the KLSE.

Details of the Promoters of SGB whose Shares are subject to the moratorium are as follows:

Promoter	Shareholdings after the Public Issue		Shareholdings under moratorium	
	No. of Shares	% of enlarged issued and paid- up share capital	No. of Shares	% of enlarged issued and paid- up share capital
Kaspadu	27,226,878	27.2	17,636,998	17.6
Onstream Marine	26,015,247	26.0	21,178,079	21.2
AVSB	9,547,892	9.5	6,184,923	6.2
	<b>62,790,017</b>	<b>62.7</b>	<b>45,000,000</b>	<b>45.0</b>

The restriction, which has been fully accepted by the aforesaid Promoters, is specifically endorsed on the share certificates and notices of allotment representing the respective shareholdings of the aforesaid Promoters which are under moratorium. This is to ensure that the Company's share registrar does not register any transfer which is not in compliance with the restriction imposed by the SC.

The statement to be endorsed on the said certificates is as follows:

*"The shares comprised herein are not capable of being sold, transferred or assigned for a period as determined by the Securities Commission ("Moratorium Period"). Accordingly, the shares comprised herein will not constitute good delivery pursuant to the Rules of Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction."*

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**


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**9.1 RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**

Save as disclosed below, there are no transactions, existing or potential, which have been entered into or are proposed to be entered into by SGB and / or its subsidiaries which involve the interest, direct or indirect, of the Directors, Major Shareholders and / or persons connected with such Directors or Major Shareholders (as defined pursuant to Section 122A of the Act) or the senior management and key technical personnel of the SGB Group:

- (a) Interalya Sdn Bhd ("Interalya") had on 6 February 2002 entered into a tenancy arrangement with SCOTS to sub-let an office space located at Lot 5.3, 5<sup>th</sup> Floor, Wisma Chase Perdana Damansara Heights 50490 Kuala Lumpur, to SCOTS for a period of 2 years commencing on 1 March 2002 and expiring on 28 February 2004. The board of directors of SCOTS had on 6 February 2002 passed a resolution approving the tenancy, noting the following declarations:
- Kamaluddin Bin Abdullah that he is a director of, and has a direct interest in Interalya, and that he has indirect interest in SCOTS by virtue of his direct shareholding in Kaspadu; and
  - Shah Hakim @ Shahzanim bin Zain that he is a director of SCOTS, has indirect interest in SCOTS by virtue of his direct shareholding in Kaspadu, is a person deemed connected (as defined under Section 122A of the Companies Act 1965) to Zaharuddin Fikri bin Zainal Abidin who has a direct interest in Interalya, and had accordingly abstained from voting in respect of the tenancy.
- (b) Sosma had on 1 January 2002 entered into a Tenancy Agreement with KMC in respect of Sosma's tenancy of an office space owned by KMC and located at Unit 2, No. 1-5, Block C, Dataran Prima, Jalan PJU 1/41, 43701 Petaling Jaya, Selangor Darul Ehsan, for a duration of for one (1) year with an additional option to extend for another year.
- (i) KMC was authorised to enter into the Tenancy Agreement by a board of directors' resolution dated 31 December 2001. Shah Hakim @ Shahzanim bin Zain had declared his indirect interest in KMC and Sosma by virtue of his direct shareholding in Kaspadu and accordingly abstained from voting in respect of the Tenancy Agreement.
  - (ii) Sosma was authorised to enter into the Tenancy Agreement by a board of directors' resolution dated 31 December 2001. The declaration of Shah Hakim @ Shahzanim bin Zain that he is a director of KMC and has indirect interest in KMC and Sosma by virtue of his direct shareholding in Kaspadu was noted.
- (c) KMC and Sosma had on 16 August 1999 entered into a Provision of Chemical Storage and Associated Services Agreement, relating to KMC's provision of such services to Sosma at KSB, Kemaman and ASB, Labuan, for a duration of 2 years commencing from 1 June 1999 and expiring on 31 May 2001 subject to an extension of another 2 years. KMC and Sosma had mutually agreed to extend this agreement vide a letter dated 28 March 2002, extending the term from 1 June 2001 to 31 May 2003.
- (i) KMC's board of directors had by a resolution dated 1 March 2002 approved KMC's entry into this agreement. Shah Hakim @ Shahzanim bin Zain is a director of KMC, and has indirect interests in KMC and Sosma by virtue of his direct shareholding in Kaspadu, and accordingly abstained from voting in respect of the agreement.
  - (ii) Sosma's board of directors had by a resolution dated 1 March 2002 approved Sosma's entry into this agreement, where the declaration of Shah Hakim @ Shahzanim bin Zain's directorship in KMC, and his indirect interests in KMC and Sosma by virtue of his direct shareholding in Kaspadu was noted.



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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**


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- (d) Dato' Mohamed Azman bin Yahya, a Non-Executive Director of SGB, is also an Independent Non-Executive Director of Malaysian Airline System Berhad ("MAS"). Scomi is a registered supplier of specialised vehicles to MAS.
- (e) Dato' Mohamed Azman bin Yahya, a Non-Executive Director of SGB, is a director of Symphony House Berhad ("Symphony House"). Dato' Mohamed Azman is deemed interested (by virtue of Section 6A(4) of the Act) in Symphony House through his direct interest and the direct interest of his wife, Datin Normah bt Tan Sri Hashim, in Arena Kembara Sdn Bhd ("Arena Kembara"), and also by virtue of the direct interest of his wife, Datin Normah bt Tan Sri Hashim, in Prelude Profile Sdn Bhd ("Prelude Profile"), where both Arena Kembara and Prelude Profile have direct interests in Symphony House. Symphony House, in turn, holds the entire issued and paid-up share capital of Signet Share Registration Services Sdn Bhd ("Signet"), which was appointed as the share registrar of SGB on 15 April 2002. The declaration of his directorship and indirect interest in Symphony House has been made to the board of directors of Scomi, and Dato' Mohamed Azman had abstained from voting and deliberating on the SGB board of directors resolution on 28 March 2003, approving and ratifying the appointment of Signet as the share registrar of SGB.
- (f) Dato' Mohamed Azman bin Yahya, a Non-Executive Director of SGB, a director of Scomi and Chairman of Pharmaniaga Berhad ("Pharmaniaga"), and Dato' Mohamed Azman has an indirect interest in Pharmaniaga by virtue of the direct interest of his wife, Datin Normah bt Tan Sri Hashim (a person deemed connected to him under Section 122A of the Act). Remedi Pharmaceuticals (M) Sdn Bhd ("Remedi Pharmaceuticals"), a subsidiary of Pharmaniaga, had on 1 April 2002 and 2 April 2002 issued Letters of Intent to Scomi, respectively:
- (i) stating its intention to award Scomi with a contract for the supply, delivery, installation, testing, commissioning, maintenance and training on the use of certain vehicles, to Hospital Kunak, Pitas and Kuala Penyu, Sabah, subject *inter alia*, to approvals being obtained from United Engineers (M) Sdn Bhd and the Government of Malaysia, whereupon Scomi shall be notified of such award being granted, and subject further to the formal execution of a definitive contract; and
  - (ii) stating its intention to award Scomi with a contract for the supply, delivery, installation, testing, commissioning, maintenance and training on the use of certain vehicles, to Hospital Sarikei, Sarawak, subject *inter alia*, to approvals being obtained from United Engineers (M) Sdn Bhd and the Government of Malaysia, whereupon Scomi shall be notified of such award being granted, and subject further to the formal execution of a definitive contract.
- The declaration of his directorship and indirect interest in Pharmaniaga has been made to the board of directors of Scomi, and Dato' Mohamed Azman shall in due course abstain from voting and deliberating on the respective awards and execution of the respective contracts when such resolutions are to be passed by the board of directors of Scomi.
- (g) Kamaluddin bin Abdullah, a Major Shareholder of SGB, is a promoter of, and has an indirect interest in Symphony House by virtue of his direct interest and the direct interest of his wife, Azrene binti Abdullah (a person deemed connected to him under Section 122A of the Act), in Prestige Access Sdn Bhd, which in turn has a direct interest in Symphony House. Symphony House holds the entire issued and paid-up share capital of Signet, which was appointed as the share registrar of SGB on 15 April 2002.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**


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- (h) SMAS had on 7 August 2002 entered into 2 separate Sale and Purchase Agreements with FSK Sdn Bhd ("FSK") to respectively dispose to FSK the land and building located at No. 21, Wisma SMAS, Jalan Maharajalela, 50150 Kuala Lumpur, and the condominium known as Apartment No. A-9-02, Seri Hijauan Condominium, No. 1, Jalan Bukit Hijau 26/24, Seksyen 26, 40000 Shah Alam, Selangor Darul Ehsan (collectively, the "SMAS Properties"). The Board of Directors of SMAS had on 7 August 2002 approved and authorised the respective disposals of the SMAS Properties to FSK, wherein the following declarations were duly noted:
- (i) Hajjah Noor Asiah Bte Dato' Mahmood was a director of SMAS and is a director of FSK, has direct interest in FSK and indirect interest in SMAS by virtue of her direct shareholding in Scomi, and had accordingly abstained from voting on the above resolutions passed by the board of SMAS; and
  - (ii) Ng Lian Kee is a director of both SMAS and FSK, has direct interest in FSK, and had accordingly abstained from voting on the above resolutions passed by the board of SMAS.
- (i) SMAS had on 1 September 2002 entered into a Tenancy Agreement with FSK, relating to SMAS's tenancy of Ground Floor, No. 21, Wisma SMAS, Jalan Maharajalela, 50150 Kuala Lumpur at a monthly rental of RM5,000 for an initial term of 2 years, with an option to renew for a further 2 years. A resolution was passed by the Board of Directors of SMAS on 1 September 2002, authorising SMAS to enter into the said Tenancy Agreement, wherein the following declarations were duly noted by the board:
- (i) Hajjah Noor Asiah Bte Dato' Mahmood was a director of SMAS and is a director of FSK, has direct interest in FSK and indirect interest in SMAS by virtue of her direct shareholding in Scomi, and had accordingly abstained from voting on the above resolution in relation to the tenancy; and
  - (ii) Ng Lian Kee is a director of both SMAS and FSK, has direct interest in FSK, and had accordingly abstained from voting on the above resolution in relation to the tenancy.
- (j) MIDF, a Major Shareholder of SGB, has a 51% direct interest in MIDFCCS. SGB had on 28 March 2003 appointed MIDFCCS as the issuing house in connection with the Public Issue.
- (k) Save as disclosed in Section 7.7 of this Prospectus, there are no other transactions entered into by SGB and/or its subsidiaries with the senior management and key technical personnel of the SGB Group.

**9.2 DECLARATIONS BY THE ADVISERS**

As at 31 December 2002, RHB Bank Berhad ("RHB Bank"), a corporation related to RHB Sakura by virtue of Section 6 of the Act, has total outstanding facilities of approximately RM11.2 million due from the SGB Group.

As mentioned in Section 3.8 of this Prospectus, SGB intends to utilise the net proceeds arising from the Public Issue as additional working capital to finance the Group's day-to-day operations, which may, *inter-alia*, involve the repayment of the Group's trade and revolving credit facilities with RHB Bank. Such utilisation would merely be part of the normal commercial terms of such facilities and not a specific repayment of borrowings to RHB Bank.

The facilities were extended to the SGB Group in RHB Bank's ordinary course of business. The total amount outstanding as at 31 December 2002 of RM11.2 million represents only approximately 0.03% of RHB Bank's total gross loans, advances and financing as at 30 June 2002 (based on the latest published audited financial statements of RHB Bank) of approximately RM36.0 billion.

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**9. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**

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Based on the above, RHB Sakura and the Board of Directors of SGB are of the view that the above facilities are not material and will not give rise to a conflict of interest in RHB Sakura's capacity as Adviser to SGB for the Flotation.

Messrs Azra & Associates has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the Flotation Scheme.

Messrs Azman, Wong, Salleh & Co has given its confirmation that there is no conflict of interest in its capacity as the Auditors for the Group and Reporting Accountants for the Flotation Scheme.

Frost & Sullivan has given its confirmation that there is no conflict of interest in its capacity as the Independent Market Research Consultant for the Flotation Scheme.

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**10. MAJOR LICENCES, PERMITS AND REGISTRATIONS**

As at the date of this Prospectus, SGB has no major licences, permits or registrations. The major licences, permits and registrations of its subsidiaries, together with the conditions attached thereto and status of compliance thereon, are as follows:

**KMC**

<b>Authority / Company</b>	<b>Type of licence / registration</b>	<b>Date of issuance / validity</b>	<b>Equity, employment and/or other major conditions imposed</b>	<b>Status of compliance</b>
PETRONAS*	Licence to supply equipment and provide services to petroleum exploration and producing companies in Malaysia	Issued on 06.06.2001, valid from 01.04.2001 until 31.03.2003	➤ KMC must maintain positive shareholders' funds.	Complied
			➤ Licence will be terminated if KMC undertakes any liquidation, winding-up or dissolution.	Complied
			➤ KMC must comply with Government policy guidelines in respect of the employment of staff and management and the use of local services and products.	Complied
			➤ Any change in equity structure, composition of Board of Directors and management of KMC must be informed to Petronas within 14 days of such change.	Complied
			➤ KMC must employ Malaysians and expatriate workers are only permitted if KMC is able to demonstrate that there are no Malaysians who are able to perform such job function.	Complied
➤ KMC must operate its business in Malaysia and utilise Malaysian facilities such as banks, insurance and other professional services owned and operated by Malaysians or Malaysian companies.	Complied			
Ministry of Finance	Registration as contractor to supply various products and services	Issued on and valid from 19.09.2002 until 20.09.2005	➤ KMC to ensure that the registration does not conflict with any previous registration granted to another company which shares the same shareholders, Board of Directors or management as KMC.	Complied
Pejabat Tanah Kemaman	Licence to purchase and store mineral ore	Issued on 19.01.2003 and valid from 01.01.2003 until 31.12.2003	-	-

**10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)**

Authority / Company	Type of licence / registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
Majlis Perbandaran Kemaman	Licence for storage of building materials, tin drums and petrol, and for rock crushing activities	Issued on 16.01.2003 and valid from 01.01.2003 until 31.12.2003	-	-

In addition, KMC also requires permits from MITI and the Ministry of Agriculture for the import of certain raw materials and these permits are obtained upon application on a case-by-case basis.

Note:

- \* *KMC had on, 27 March 2003 received notification from PETRONAS that its application for the renewal of this licence had been approved, subject only to the payment of the requisite renewal fee. KMC had accordingly made payment of this fee to PETRONAS and is currently awaiting the issue of the renewed licence by PETRONAS.*

**Scomi**

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
MITI	Manufacturing Licence (A 011365)	Issued on and valid from 15.05.1998 (no expiry is stated)	➤ At least 70% of Scomi's shareholding must be held by Malaysian citizens of which at least 30% must be reserved.	Complied
			➤ Composition of Board of Directors of Scomi must reflect Scomi's equity structure and any change in or election to the Board of Directors must be notified to MITI.	Complied
			➤ Scomi should in so far as possible, employ and train Malaysians, in order to reflect the multi-racial composition of Malaysia for all levels of employment up to management level.	Complied
			➤ The prior written approval of MITI must be obtained if Scomi wishes to use used machinery.	Complied
			➤ Scomi should in so far as possible, obtain services from Malaysian companies and enterprises in accordance with the New Economic Policy.	Complied

## 10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
DOSH <sup>1</sup>	Registration as manufacturer of non-flammable pressure vessel tankers	Issued on and valid from 16.02.2001 to 15.02.2003	➤ The Department must be informed of any change or addition to the officers, machinery and premises.	Complied
			➤ Prior approval of the Department must be obtained for the design of non-flammable pressure vessel tankers before manufacture.	Complied
DOSH	Registration as manufacturer of aerial platform structures	Issued on and valid from 23.01.2003 until 22.01.2004	➤ Scomi is required to undertake the manufacture of aerial platform structures within 6 months from the date of DOSH's approval for registration.	Complied
			➤ DOSH must be informed of any change or addition to the officers, machinery and premises of Scomi.	Noted
			➤ Prior approval of DOSH must be obtained for the design of the aerial platform structure before commencement of manufacture.	Complied and noted
Ministry of Finance	Registration as contractor for the supply of safety, communication and marine equipment, heavy machinery and parts, vehicles, containers and tanks, equipment for the oil and gas industry; and as manufacturer of equipment for weighing and measurement, bodies for commercial vehicles and specialised vehicles	Issued on 29.05.2002; valid from 30.06.2002 until 29.06.2005	➤ Scomi to ensure that the registration does not conflict with any previous registration granted to another company which shares the same shareholders, Board of Directors or management as Scomi.	Complied
Ministry of Finance	Registration as Bumiputera contractor	Issued on and valid from 29.05.2002 until 29.06.2005	➤ At least 51% of the Scomi shares must be held by Bumiputeras at all times.	Complied
			➤ At least 51% of the Board of Directors and members of Scomi staff at both management and non-management level must be Bumiputeras.	Complied

**10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)**

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
PETRONAS	Registration as contractor with "LOCAL" status	Issued on 09.05.2001; valid from 16.05.2001 until 15.05.2003	➤ Scomi must maintain positive shareholders' funds	Complied
KTM Berhad <sup>2</sup>	Registration as contractor / supplier	Issued on and valid from 08.03.2001 until 31.03.2003	-	-
Pos Malaysia Berhad	Registration as contractor	Issued on 04.09.2001; valid from 28.07.2001 until 27.07.2003	-	-
Lembaga Getah Malaysia	Registration as contractor / supplier	Issued on and valid from 07.06.2001 until 31.06.2003	-	-
Malaysian Airline System Berhad	Registration as supplier	Issued on and valid from 05.02.1999 (no expiry is stated)	-	-
Road Transport Department of Malaysia	Registration as engineering workshop for the manufacture of new vehicle bodies, repair and technical modifications in respect of all types of lorries and trailers	Issued on and valid from 19.02.2003 until 18.02.2005	-	-
Indah Water Konsortium Sdn Bhd	Registration as contractor and supplier of vehicle and fleet maintenance services	Issued on 12.03.2002 and valid from 11.03.2002 until 10.03.2004	-	-

**Notes:**

<sup>1</sup> Scomi had on 8 January 2003 submitted an application to DOSH for the renewal of this registration. As at the date hereof, the renewed registration has not been received by Scomi.

<sup>2</sup> Scomi had received notification from KTM Berhad dated 26 March 2003 that its renewal of this registration had been approved, subject only to the payment of the requisite renewal fee. The renewal fee has already been paid by Scomi and as at the date hereof, only the formal issue of the renewed registration is pending.

## 10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

## SCOPE

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
MITI	Pioneer Status certification for the production of machined parts	Issued on 15.01.2003 and valid from 01.01.2002 until 31.12.2006	➤ SCOPE is to ensure that the increased value of its product achieves a minimum of 45%.	Complied
			➤ SCOPE is to ensure that at least 15% of its total workforce consists of management, technical and consultant employees.	Complied
			➤ If SCOPE's shareholders' funds is increased to RM2,500,000 or more, or if the number of its full time employees is increased to 75 or more, SCOPE is required to apply for a manufacturing licence from MITI.	Noted
Royal Malaysian Customs	Warehouse Licence for the warehousing of various dutiable goods	Issued on 20.12.2002 and valid from 01.12.2002 until 30.11.2003	➤ Goods liable to customs duty shall not be stored in a licensed manufacturing warehouse save for raw materials, components and machinery used in the manufacture of products, which are approved by the Director General of Customs and Excise.	Noted
			➤ SCOPE shall provide a security bond to the value of RM50,000 to secure the payment of customs duties levied on goods deposited in the licensed manufacturing warehouse.	Complied
			➤ SCOPE shall not alter the structure of the building or change any facilities at its licensed warehouse without the prior written consent of the Director General of Customs and Excise.	Noted
			➤ SCOPE is required to inform the relevant Officer of Customs in writing of, <i>inter alia</i> , any change in the composition of its board of directors, a resolution passed or an order made for the winding-up of SCOPE, or the appointment of a liquidator or receiver, within 14 days of any such occurrence.	Noted



## 10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
Royal Malaysian Customs	Manufacturing Warehouse Licence to carry on manufacture of various goods liable to customs duties	Issued on 20.12.2002 and valid from 01.12.2002 until 30.11.2003	➤ Goods liable to customs duty shall not be stored in a licensed manufacturing warehouse save for raw materials, components and machinery used in the manufacture of products, which are approved by the Director General of Customs and Excise.	Noted
			➤ SCOPE shall provide a security bond to the value of RM50,000 to secure the payment of customs duties levied on goods deposited in the licensed manufacturing warehouse.	Complied
			➤ SCOPE shall not alter the structure of the building or change any facilities at its licensed warehouse without the prior written consent of the Director General of Customs and Excise.	Noted
			➤ SCOPE is required to inform the relevant Officer of Customs in writing of, <i>inter alia</i> , any change in the composition of its board of directors, a resolution passed or an order made for the winding-up of SCOPE, or the appointment of a liquidator or receiver, within 14 days of any such occurrence.	Noted

## SMAS

Authority / Company	Type of licence/registration	Date of issuance / validity	Equity, employment and/or other major conditions imposed	Status of compliance
MCAT	Hire and drive licences	Validity period of 3 – 5 years, latest expiry date being in 2006	➤ The vehicle must be covered by insurance, including passenger liability	Complied
			➤ Vehicles registered outside Malaysia and permitted entry into Malaysia may only be hired to foreign tourists departing from the country in which the vehicle is registered.	Complied

**10. MAJOR LICENCES, PERMITS AND REGISTRATIONS (Cont'd)**

<b>Authority / Company</b>	<b>Type of licence/registration</b>	<b>Date of issuance / validity</b>	<b>Equity, employment and/or other major conditions imposed</b>	<b>Status of compliance</b>
Commercial Vehicle Licensing Board	Hire and drive licences	Validity period of 5 years, latest expiry date being in 2004	➤ Vehicles must be covered by comprehensive insurance, including insurance coverage on the hirer.	Complied
			➤ Vehicles registered in Singapore or Thailand and permitted entry into Peninsular Malaysia may only be hired to foreign citizens who commenced the hire in those countries.	Complied
Ministry of Finance	Registration as contractor for the supply of passenger and commercial vehicles	Issued on 24.11.2001; valid from 23.11.2001 until 22.11.2003	➤ SMAS to ensure that the registration does not conflict with any previous registration granted to another company which shares the same shareholders, Board of Directors or management as SMAS.	Complied

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**II. LAND AND BUILDINGS**

Details on the land and buildings owned by the SGB Group are as follows:

Registered owner	Postal address / location	Description/ existing use	Tenure of land (years)	Land area / built-up area (square feet)	Approximate age of building	Audited net book value as at 31.12.02* (RM'000)
<b>Land &amp; building</b>						
<b>Scomi</b>	<i>Title:</i> Land held under H.S.(D) No 98470 No PT Tapak Perusahaan Shah Alam, Bandar Shah Alam, Negeri Selangor	Two-storey office building and a factory	Leasehold for 99 years (until 2073)	Land area: 86,600  Built-up area: 30,435	11 years (since 1992)	Land: 3,109  Building: 1,089
<b>KMC</b>	<i>Master Title:</i> Land held under Geran 46494, Lot 42410, Pekan Cempaka, Daerah Petaling, Negeri Selangor (formerly known as PT 42410 H.S.(D) 135924, part of Geran 35997 Lot 102, Geran 40176 Lot 15386 and Geran 43061 Lot 15386, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor)	Five-storey shop office	Freehold	Land area: Not applicable  Built-up area: 11,755	6 years (since 1997)	Land & building: 2,367
	<i>Postal address:</i> No. 1-1, Block C1 Jalan PJU 1/41, Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan					

**II. LAND AND BUILDINGS (Cont'd)**

Registered owner	Postal address / location	Description/ existing use	Tenure of land (years)	Land area / built-up area (square feet)	Approximate age of building	Audited net book value as at 31.12.02* (RM'000)
<b>Buildings</b>						
KMC-K	Kemaman Warehouse No 18, Kemaman Supply Base, Terengganu	Warehouse for office use, laboratory, milling and storage activities ("Original KSB Warehouse")	Not applicable	Land area: Not applicable Built-up area: 19,200	12 years (since 1991)	Building: 1,087
KMC	Kemaman Warehouse No 18, Kemaman Supply Base, Terengganu	Two further warehouses in addition to the Original KSB Warehouse for storage purposes ("WH1" and "WH2")	Not applicable	Land area: Not applicable Built-up area: WH 1 - 32,400 WH 2 - 12,800	WH 1 - 8 years (since 1995) WH 2 - 4 years (since 1999)	Building: 993
KMC	Asian Supply Base, Ranca-ranca Industrial Estate, Letter Box No 82023, 87030 Labuan FT	Warehouse for office use and storage activities	Not applicable	Land area: Not applicable Built-up area: 24,000	11 years (since 1992)	Building: 247

Note:

\* No revaluation was done for the aforesaid properties

The SGB Group has not acquired any properties within the two years preceding the date of this Prospectus.

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