

P R O S P E C T U S



SALCON BERHAD

(Company No: 593796-T)

(Incorporated in Malaysia under the Companies Act, 1965)



PUBLIC ISSUE

OF 29,200,000 NEW ORDINARY SHARES OF RM0.50 EACH
AT AN ISSUE PRICE OF RM1.20 PER ORDINARY SHARE
PAYABLE IN FULL ON APPLICATION

AND

OFFER FOR SALE

OF 17,920,000 ORDINARY SHARES OF RM0.50 EACH
AT AN OFFER PRICE OF RM1.20 PER ORDINARY SHARE
PAYABLE IN FULL ON APPLICATION

PURSUANT TO ITS LISTING ON THE MAIN BOARD OF KUALA LUMPUR STOCK EXCHANGE

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY
PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 29 HEREOF

Adviser, Managing Underwriter and Placement Agent



AmMerchant Bank Berhad

(23742-V) A member of the AmBank Group

SALCON BERHAD (Company No: 593796-T)
(Incorporated in Malaysia under the Companies Act, 1965)

17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan, Malaysia.

Tel : 603 8024 8899
Fax : 603 8024 8998

This Prospectus is dated 28 July 2003

This Prospectus has been seen and approved by the directors and promoters of Salcon Berhad ("Salcon" or the "Company") and/or the offerors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

The Adviser and Managing Underwriter acknowledge that, based on all available information, and to the best of its knowledge and belief, this prospectus constitutes a full and true disclosure of all material facts concerning the public offering and are satisfied that any profit and/or cashflow estimate/forecast and/or projection (for which the directors of Salcon are fully responsible) prepared for inclusion in the prospectus have been stated by the directors after due and careful enquiry and have been duly reviewed by the Reporting Accountant.

The Securities Commission has approved the public issue and offer for sale in respect of the public offering and the approval shall not be taken to indicate that the Securities Commission recommends the public offering.

The Securities Commission shall not be liable for any non-disclosure on the part of Salcon and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this prospectus. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

The Kuala Lumpur Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed in this prospectus. Admission to the Official List is not to be taken as an indication of the merits of Salcon or of its securities.

A copy of this prospectus has been registered with the Securities Commission and lodged with the Chief Executive Officer of the Companies Commission of Malaysia who takes no responsibility for its contents.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for Salcon's entire enlarged issued and paid-up share capital on the Main Board of the KLSE is set out below:

<u>Date</u>	<u>Event</u>
28 July 2003	➤ Issue of Prospectus/Opening date of the IPO
8 August 2003	➤ Closing date of the IPO
13 August 2003	➤ Balloting of applications
27 August 2003	➤ Despatch of notices of allotment to successful applicants
3 September 2003	➤ Listing on the Main Board of the KLSE

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES. THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 8.00 P.M. ON 8 AUGUST 2003 OR FOR SUCH FURTHER PERIOD OR PERIODS AS THE DIRECTORS AND PROMOTERS IN THEIR DISCRETION MAY DECIDE, SUBJECT TO THE CONSENT OF THE MANAGING UNDERWRITER AND UNDERWRITERS.

WHERE THE CLOSING DATE OF APPLICATION IS EXTENDED FROM THE ORIGINAL CLOSING DATE, THE NOTICE OF SUCH EXTENSION(S) WILL BE ADVERTISED IN A WIDELY CIRCULATED NEWSPAPER NOT LESS THAN ONE(1) MARKET DAY BEFORE THE ORIGINAL CLOSING DATE.

DEFINITIONS

In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings:

Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
Acquisition	:	Acquisition by Salcon of the entire issued and paid-up share capital of SEB from KEB, MASB and ETSB for a total consideration of RM80,198,000 satisfied by the issuance of 160,396,000 new Shares in Salcon at an issue price of RM0.50 per Share in Salcon
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
AID	:	Agro Industrial Division
AmMerchant Bank	:	AmMerchant Bank Berhad (23742-V)
Application	:	Application for the Public Issue Shares and Offer Shares
Asset Sale	:	Sale of the assets and business of SHCB and Crystal Palace Lighting (M) Sdn Bhd, a wholly owned subsidiary of SHCB, prior to completion of the disposal of SHCB to a special purpose vehicle and the subsequent liquidation of SHCB and all of its subsidiaries
ATM	:	Automated Teller Machine
BAWC	:	Binh An Water Corporation Limited, a subsidiary of EUCSB
Board of Directors or Directors	:	Board of Directors or Directors of Salcon
BOT	:	Build, Operate and Transfer
BSD	:	Building Services Division
BTESB	:	Bumi Tiga Enterprise Sdn Bhd (58140-A), a wholly-owned subsidiary of SEB
By-Laws	:	The by-laws, rules, terms and conditions of the ESOS
CCI	:	Cross Continental Investments, an associated company of SEB
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
Central Depository or MCD	:	Malaysian Central Depository Sdn Bhd (165570-W), a subsidiary of KLSE

DEFINITIONS (Cont'd)

Closing Date	:	8 August 2003, being the last date for Application
Debt Settlement	:	Debt settlement to SHCB's respective creditors for the outstanding debts due from SHCB to such creditors
Deposited Security	:	A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provisions of the Central Depositories Act and the Rules
Depositor	:	A holder of a Securities Account
EBIDTA	:	Earnings before interest, depreciation, taxation and amortisation
EI	:	Exceptional items
EMCCSB	:	Eagle Metalizing & Coatings Company Sdn Bhd (217009-D), a subsidiary of BTESB
EPS	:	Earnings per share
EPU	:	Economic Planning Unit
ESB	:	Envitech Sdn Bhd (126142-U), a subsidiary of SEB
ESOS	:	Employees Share Option Scheme of Salcon and its subsidiaries
ETSB	:	Eminent Triumph Sdn Bhd (430519-W)
EUCSB	:	Emas Utilities Corporation Sdn Bhd (164003-U), an associated company of SEB
FDI	:	Foreign Direct Investment
FFB	:	Fresh Fruit Bunches
FIC	:	Foreign Investment Committee
GDP	:	Gross Domestic Product
IPO	:	Public Issue and Offer for Sale collectively
IWK	:	Indah Water Konsortium
IWSSB	:	Integrated Water Services (M) Sdn Bhd (141665-P), a subsidiary of SEB
JKR	:	Jabatan Kerja Raya (Public Works Department)
KEB	:	Kumpulan Emas Berhad (15379-V), a company listed on the Main Board of the KLSE
KLSE	:	Kuala Lumpur Stock Exchange (30632-P)
M&E	:	Mechanical and Electrical

DEFINITIONS (Cont'd)

Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia										
Market Days	:	Any day between Mondays and Fridays which is not a market holiday or public holiday										
MASB	:	Mampu Alam Sdn Bhd (571947-K)										
Member	:	Unless otherwise expressed to the contrary, includes a Depositor who shall be treated as if he was a member pursuant to Section 35 of the Central Depositories Act but excludes the Central Depository in its capacity as a bare trustee member										
MI	:	Minority interest										
MIId	:	Million litres per day										
MIH or Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)										
MITI	:	Ministry of International Trade and Industry										
MOF	:	Ministry of Finance										
MPOB	:	Malaysian Palm Oil Board										
NRW	:	Non-Revenue Water										
NTA	:	Net tangible assets										
O&M	:	Operations and Maintenance										
Offer or Offer for Sale	:	Offer for sale by the Offerors of 17,920,000 Shares in Salcon at an offer price of RM1.20 per Share subject to the terms and conditions of this Prospectus and as set out in Section 2.3 of this Prospectus										
Offer Shares	:	The 17,920,000 Shares in the capital of the Company which are the subject of the Offer for Sale										
Offerors	:	The offerors of the Offer Shares and the respective number of Salcon Shares offered for sale are as follow:-										
		<table><tr><td>Name</td><td>No.of Shares</td></tr><tr><td>KEB</td><td>11,250,000</td></tr><tr><td>MASB</td><td>3,750,000</td></tr><tr><td>ETSB</td><td>2,920,000</td></tr><tr><td>Total</td><td>17,920,000</td></tr></table>	Name	No.of Shares	KEB	11,250,000	MASB	3,750,000	ETSB	2,920,000	Total	17,920,000
Name	No.of Shares											
KEB	11,250,000											
MASB	3,750,000											
ETSB	2,920,000											
Total	17,920,000											
p.a	:	Per annum										
PAT	:	Profit after taxation										
PBT	:	Profit before taxation										
PE	:	Population Equivalent - denotes the amount of wastewater discharged by one person which is equivalent to 225 litres per day, as specified in the Malaysian Standards (MS 1228:1991)										

DEFINITIONS (Cont'd)

PE Multiple	:	Price earnings multiple
Promoters	:	ETSB, KEB and MASB
Public Issue	:	The public issue of 29,200,000 new Shares in Salcon at an issue price of RM1.20 per Share, subject to the terms and conditions of this Prospectus and as set out in Section 2.3 of this Prospectus
Public Issue Shares	:	The 29,200,000 new Shares in Salcon which are the subject of the Public Issue
Placement Agent	:	AmMerchant Bank
PMSB	:	Precise Metal Sdn Bhd (100653-X), a wholly-owned subsidiary of SEB
PTIL	:	Palm Tech India Limited, a subsidiary of CCI
Record of Depositors	:	A record provided by the Central Depository to the Company under Chapter 24.0 of the Rules
Restructuring Exercise	:	<p>The restructuring exercise undertaken by SHCB which encompasses the following:</p> <ul style="list-style-type: none"> (i) Share exchange by Salcon of the entire issued and paid-up share capital of SHCB involving the issuance of 833,250 new Salcon Shares at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) SHCB shares; (ii) Acquisition by Salcon of the entire issued and paid-up share capital of SEB from KEB, MASB and ETSB for a total consideration of RM80,198,000 satisfied by the issuance of 160,396,000 new Salcon Shares at an issue price of RM0.50 per Salcon Share; (iii) Exemption to KEB, MASB and ETSB from the obligation to extend an unconditional mandatory general offer for all the remaining Salcon Shares not already owned by them in Salcon after the acquisition of SEB; (iv) Public issue by Salcon of 29,200,000 new Shares in Salcon at an issue price of RM1.20 per Share as set out in Section 2.3 of this Prospectus; (v) Offer for sale by the Offerors of 17,920,000 Shares in Salcon at an offer price of RM1.20 per Share as set out in Section 2.3 of this Prospectus; (vi) Debt settlement to SHCB's respective creditors for the outstanding debts due from SHCB to such creditors; (vii) Transfer of listing status of SHCB on the Second Board of the KLSE to Salcon; (viii) Sale of the assets and business of SHCB and Crystal Palace Lighting (M) Sdn Bhd, a wholly owned subsidiary of SHCB; (ix) Disposal of SHCB to a special purpose vehicle and the subsequent liquidation of SHCB and all of its subsidiaries; and (x) Transfer of listing and quotation for Salcon Shares to the Main Board of the KLSE

DEFINITIONS *(Cont'd)*

RM and sen	:	Malaysian Ringgit and sen respectively
RS	:	Rupees
Rules	:	The Rules of the Central Depository
SA	:	Special administrators of SHCB
Salcon or Company	:	Salcon Berhad (593796-T)
Salcon Group or the Group	:	Salcon Berhad and its subsidiary and associated companies
Salcon Shares	:	Shares in Salcon
SASB	:	Salcon Agro Sdn Bhd (234604-D), a wholly-owned subsidiary of SEB
SBSSB	:	Salcon Building Services Sdn Bhd (65287-X), a wholly-owned subsidiary of BTESB
SC	:	Securities Commission
SC Act	:	Securities Commission Act, 1993 or any statutory modification, amendment or re-enactment thereof for the time being in force
SCADA	:	Supervisory control and data acquisition
SCESB	:	Salcon-Centrimax Engineering Sdn Bhd (47101-W), a wholly-owned subsidiary of SEB
SCSB	:	Salcon Corporation Sdn Bhd (221777-T), a wholly-owned subsidiary of SEB
SEB	:	Salcon Engineering Berhad (18161-H), a wholly-owned subsidiary of Salcon
SEB Group	:	SEB and its subsidiary and associated companies
Securities Account	:	An account established by the Central Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
SESSB	:	Salcon Environmental Services Sdn Bhd (251618-H) (formerly known as IKG-Salcon Sdn Bhd), a wholly-owned subsidiary of SEB
Share(s)	:	Ordinary share(s) of RM0.50 each
Share Exchange	:	Share exchange by Salcon for the entire issued and paid-up share capital of SHCB involving the issuance of 833,250 new Salcon Shares to the existing shareholders of SHCB at par value on the basis of one(1) new Salcon Share for every twenty four(24) SHCB shares
SHCB	:	Seng Hup Corporation Berhad (Special Administrators Appointed) (3707-M)
SRSB	:	Salcon Resources Sdn Bhd (24494-T), a wholly-owned subsidiary of SEB

DEFINITIONS (Cont'd)

SKSB	:	Skeel Engineering Sdn Bhd (9553-A), a wholly-owned subsidiary of BTESB
SSSB	:	Salcon (Sarawak) Sdn Bhd (496185-D), a wholly-owned subsidiary of SEB
SWHK	:	Salcon Water (HK) Limited
sq.ft	:	Square foot/feet
TSD	:	Trading Services Division
USD	:	US dollars
WED	:	Water and Environmental Division
WHO	:	World Health Organisation
WWD	:	Wastewater Division

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TABLE OF CONTENTS

	<i>Page</i>
CORPORATE DIRECTORY	xii
1. INFORMATION SUMMARY	1
1.1 History and Business	1
1.2 Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management of Salcon	4
1.3 Financial Statistics	5
1.4 Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003	7
1.5 Risk Factors	9
1.6 Principal Statistics Relating to the IPO	10
1.7 Proforma Consolidated NTA	10
1.8 Highlights of the Proforma Consolidated Profit and Dividend Estimate and Forecast	11
1.9 Utilisation of Proceeds	12
1.10 Material Litigation, Contingent Liabilities and Capital Commitments	12
2. PARTICULARS OF THE PUBLIC ISSUE.....	13
2.1 Share Capital	14
2.2 Basis of Arriving at the Public Issue/Offer Price	15
2.3 Details of the IPO.....	15
2.4 Details on the Pink Forms Allocation	16
2.5 Critical Dates of the IPO	17
2.6 Purposes of the IPO	17
2.7 Utilisation of Proceeds	17
2.8 Financial Impact from Utilisation of Proceeds	19
2.9 Brokerage and Underwriting Commission	19
2.10 Salient Terms of the Underwriting Agreement	19
2.11 Moratorium On Shares	23
2.12 Approvals from Authorities	24
3. RISK FACTORS	29
4. INFORMATION ON THE SALCON GROUP	35
4.1 Incorporation	35
4.2 History of the Salcon Group	36
4.3 Share Capital and Changes in Share Capital	36
4.4 Subsidiary and Associated Companies of Salcon	37
4.4.1 SEB	39
4.4.2 SCESB	40
4.4.3 SRSB	41
4.4.4 SBSSB	42
4.4.5 ESB	43
4.4.6 IWSSB	44
4.4.7 PMSB	46
4.4.8 BTESB	47
4.4.9 SASB	48
4.4.10 SCSB	48
4.4.11 SESSB	49
4.4.12 SSSB	50
4.4.13 SKSB	51
4.4.14 EMCCSB	52
4.4.15 SWHK	54

TABLE OF CONTENTS (Cont'd)

4.4.16	EUCSB.....	55
4.4.17	BAWC.....	56
4.4.18	CCI.....	57
4.4.19	PTIL.....	58
4.5	Business Overview and Activities.....	61
4.5.1	Research and Development	70
4.5.2	Quality Management Programmes and Systems	70
4.5.3	Employees.....	71
4.5.4	Interruptions in Business During the Past Twelve Months	71
4.5.5	Key Achievements of the Group	71
4.5.6	Market and Competitive Conditions	72
4.5.7	Governing Laws and Regulations	74
4.5.8	Environmental Concerns	75
4.6	Industry Overview.....	76
4.6.1	Water Sector	76
4.6.2	Wastewater Sector.....	84
4.6.3	Palm Oil Mill Industry	87
4.6.4	Building Services Division.....	89
4.7	Details of Major Licences and Permits	90
4.8	Major Customers	90
4.9	Major Contractors/Suppliers.....	91
4.10	Future Plans and Strategies of the Salcon Group	92
4.11	Settlement of Amount Owing to SEB.....	93
5.	RESTRUCTURING EXERCISE OF SHCB AND ESOS	94
5.1	Background Information on SHCB	94
5.2	Restructuring Exercise.....	94
5.3	ESOS.....	95
5.3.1	Maximum Number of Shares Allowable Under the Scheme	95
5.3.2	Eligibility.....	96
5.3.3	Offer	96
5.3.4	Maximum Allowable Allotment and the Basis of Allotment.....	97
5.3.5	Option Price.....	97
5.3.6	Acceptance of the Offer.....	97
5.3.7	Exercise of Options	98
5.3.8	Ranking of New Salcon Shares.....	100
5.3.9	Duration of the Scheme.....	100
6	INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT.....	102
6.1	Promoters and Substantial Shareholders	102
6.1.1	Particulars and Shareholdings.....	102
6.1.2	Changes in shareholdings in the Company for the past three(3) years.....	104
6.2	Directorships and Substantial Shareholdings of Promoters and Substantial Shareholders in All Other Public Companies for the Past Two Years Preceding 15 July 2003	104
6.3	Board Of Directors	104
6.3.1	Particulars and Shareholdings	104
6.3.2	Profiles of Directors.....	105
6.3.3	Directorships and Substantial Shareholdings of Directors in All Other Public Companies for the Past Two Years Preceding 15 July 2003f	109
6.3.4	Directors' Remuneration and Benefits	110
6.4	Audit Committee	110
6.5	Key Management of the Salcon Group	111
6.5.1	Particulars and Shareholdings of the Key Management Team	111
6.5.2	Profiles of the Key Management.....	111
6.6	Family Relationships.....	116

TABLE OF CONTENTS (Cont'd)

7.	MAJOR LICENCES AND PERMITS	117
8.	RELATED-PARTY TRANSACTIONS / CONFLICT OF INTEREST	118
8.1	<i>Related Party Transactions</i>	118
8.2	<i>Interest in Similar Business</i>	121
8.3	<i>Declaration by the Advisers</i>	122
9.	SUMMARY OF PROPERTIES	123
10.	FINANCIAL INFORMATION	124
10.1	<i>Consolidated Profit and Dividend Record</i>	124
10.1.1	<i>Segmental Analysis of Revenue and Operation Profit by Division.....</i>	125
10.1.2	<i>Segmental Analysis of Revenue and Operation Profit by Geographical Location.....</i>	126
10.2	<i>Directors Declaration On Financial Performance</i>	127
10.3	<i>Working Capital, Borrowings, Material Litigation, Contingent Liabilities, and Capital Commitments</i>	127
10.4	<i>Consolidated Profit Estimate and Forecast and Assumptions for the Financial Years Ending 31 July 2003 and 2004</i>	129
10.4.1	<i>Consolidated profit forecast for the year ending 31 July 2003.....</i>	129
10.4.2	<i>Consolidated profit forecast for the year ending 31 July 2004.....</i>	130
10.5	<i>Reporting Accountant's Letter on the Consolidated Profit Estimate and Forecast of the Salcon Group for the Financial Years Ending 31 July 2003 and 2004.....</i>	132
10.6	<i>Directors' Commentary on the Consolidated Profit Estimate and Forecast.....</i>	133
10.7	<i>Sensitivity Analysis</i>	134
10.7.1	<i>Variation in Turnover.....</i>	134
10.7.2	<i>Variation in Operating Cost.....</i>	134
10.8	<i>Dividend Forecast and Policy</i>	134
10.9	<i>Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003</i>	136
10.10	<i>Reporting Accountant's Letter on the Proforma Consolidated Balance Sheet as at 31 January 2003.....</i>	141
11.	DIRECTORS' REPORT	142
12.	ACCOUNTANTS' REPORT	143
13.	BY-LAWS	200
14.	FURTHER STATUTORY AND OTHER INFORMATION.....	216
14.1	<i>Share Capital</i>	216
14.2	<i>Articles of Association</i>	216
14.3	<i>Directors and Substantial Shareholders</i>	224
14.4	<i>General Information.....</i>	227
14.5	<i>Material Contracts</i>	229
14.6	<i>Material Agreements.....</i>	231
14.7	<i>Material Litigation.....</i>	234
14.8	<i>Consents</i>	234
14.9	<i>Documents For Inspection.....</i>	235
14.10	<i>Responsibility Statements</i>	235

TABLE OF CONTENTS (Cont'd)

15.	PROCEDURES FOR APPLICATION AND ACCEPTANCE.....	236
15.1	<i>Opening and Closing of Application Lists</i>	<i>236</i>
15.2	<i>Procedure for Application</i>	<i>236</i>
15.3	<i>Applications and Acceptances.....</i>	<i>238</i>
15.4	<i>CDS Accounts</i>	<i>239</i>
15.5	<i>Notice of Allotment.....</i>	<i>239</i>
15.6	<i>Formalising of CDS Accounts</i>	<i>240</i>
15.7	<i>List of ADA.....</i>	<i>240</i>
15.8	<i>Terms and Conditions for Applications Using Application Forms</i>	<i>253</i>
15.9	<i>Terms and Conditions for Electronic Share Applications</i>	<i>255</i>
15.10	<i>Steps for Electronic Share Application Through a Participating Financial Institution's ATM</i>	<i>259</i>

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CORPORATE DIRECTORY**BOARD OF DIRECTORS OF SALCON**

Name	Nationality	Address	Occupation
Tan Sri Razali Ismail (Chairman, Non-Independent Non-Executive Director)	Malaysian	Desa Kudalari 1802 No. 3, Lorong Kuda 50450 Kuala Lumpur	Entrepreneur
Dato' (Dr) Teoh Seng Foo (Vice Chairman, Non-Independent Non-Executive Director)	Malaysian	No. 12 Jalan Semantan 2 Damansara Heights 50490 Kuala Lumpur	Businessman
Dato' Lim See Teok (Chief Executive Officer, Executive Director)	Malaysian	No. 7, Jalan USJ5/3C UEP Subang Jaya 47610 Petaling Jaya	Chief Executive Officer
Mr Jaggit Singh a/l Tara Singh (Executive Director)	Malaysian	41 Jalan Seruling 41 Kawasan 3 Taman Klang Jaya 41200 Klang	Director
Mr Foo San Kan (Independent Non-Executive Director)	Malaysian	5-10 Anjung Damai Jalan Murni 55000 Kuala Lumpur	Director
Dato' Dr Freezailah Bin Che Yeom (Independent Non-Executive Director)	Malaysian	6, Jalan Kent Enam Off Jalan Maktab 54000 Kuala Lumpur	Consultant
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas (Independent Non-Executive Director)	Malaysian	No. 2, Jalan 12/7 46200 Petaling Jaya Selangor	Director

AUDIT COMMITTEE

Name	Designation	Directorship
Mr Foo San Kan	Chairman	Independent Non-Executive Director
Dato' Lim See Teok	Member	Chief Executive Officer, Executive Director
Dato' Dr Freezailah Bin Che Yeom	Member	Independent Non-Executive Director

CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Tai Siew May (MAICSA 7015823)
C-110 Pangsapuri Puncak Damansara
Jalan Teratai PJU 6
47400 Petaling Jaya
Selangor Darul Ehsan
- REGISTERED OFFICE** : 17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel: (03) 8024 8899
Fax: (03) 8024 8998
- HEAD OFFICE** : 15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel: (03) 8024 8822
Fax: (03) 8024 8811
E-mail: salconen@tm.net.my
Website: <http://www.salcon.com.my>
- AUDITOR AND REPORTING ACCOUNTANT** : KPMG (Firm No. : AF 0758)
Chartered Accountants
Wisma KPMG, Jalan Dungun
Damansara Heights
50490 Kuala Lumpur
- SOLICITORS FOR THE IPO** : Cheang & Ariff
39 Court
39, Jalan Yap Kwan Seng
50450 Kuala Lumpur
- PRINCIPAL BANKERS** : Malayan Banking Berhad (3813-K)
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
- Standard Chartered Bank Malaysia Berhad (115793-P)
No.2 Jalan Ampang
50450 Kuala Lumpur
- United Overseas Bank (M) Bhd (271809-K)
Menara UOB, Jalan Raja Laut
50350 Kuala Lumpur
- Bumiputra-Commerce Bank Berhad (13491-P)
Business Centre - Shah Alam
Level 2, Bangunan UMNO
Lot P5.5, Persiaran Perbandaran
Section 14
40675 Shah Alam
Selangor Darul Ehsan

CORPORATE DIRECTORY (Cont'd)

ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (258345-X) 27th Floor, Menara Multi-Purpose Capital Square No.8 Jalan Munshi Abdullah 50100 Kuala Lumpur
REGISTRAR	:	PFA Registration Services Sdn Bhd (19234-W) Level 13, Uptown 1 No.1, Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel: 03-7725 4888 Fax: 03-7722 2311
ADVISER, MANAGING UNDERWRITER AND PLACEMENT AGENT	:	AmMerchant Bank Berhad (23742-V) 22nd Floor, Bangunan AmBank 55, Jalan Raja Chulan 50200 Kuala Lumpur
UNDERWRITERS	:	AmMerchant Bank Berhad (23742-V) 22nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur KAF-Seagroatt & Campbell Securities Sdn Bhd (134631-U) 29 th Floor Menara Weld No. 76 Jalan Raja Chulan 50200 Kuala Lumpur Alliance Merchant Bank Berhad (21605-D) 19 th Floor, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Mayban Securities Sdn Bhd (165630-M) Level 8, MaybankLife Tower, Dataran Maybank No 1 Jalan Maarof 59000 Kuala Lumpur
LISTING SOUGHT	:	Main Board of the Kuala Lumpur Stock Exchange

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1. INFORMATION SUMMARY

The following information is only a summary of the salient information relating to the Salcon Group and investors should read and understand the whole Prospectus prior to deciding whether or not to invest in the Shares of the Company. The information summary set out below is derived from this Prospectus and should be read and understood in conjunction with the full text of this Prospectus.

1.1 History and Business

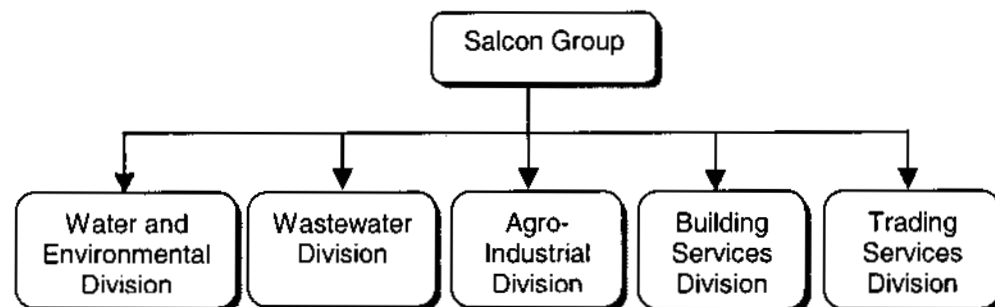
Salcon was incorporated in Malaysia under the Companies Act, 1965 on 25 September 2002 as a private limited company under the name of Salcon Sdn Bhd. Subsequently on 24 February 2003, it was converted to a public company and assumed its current name. Salcon is principally an investment holding company with a wholly-owned subsidiary, SEB, which has fourteen(14) subsidiaries and four(4) associated companies.

It was incorporated for the purpose of facilitating the completion of the Restructuring Exercise of SHCB which resulted in Salcon becoming the ultimate holding company of the Salcon Group and taking over the listing status of SHCB on the KLSE.

The Group's principal activities are:

- Design, construction, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities;
- Design, construction and commissioning of palm oil mills;
- Provision of mechanical and electrical engineering services for general industries;
- Marketing, sales and servicing of equipment for water and palm oil mill industries; and
- Investment holding

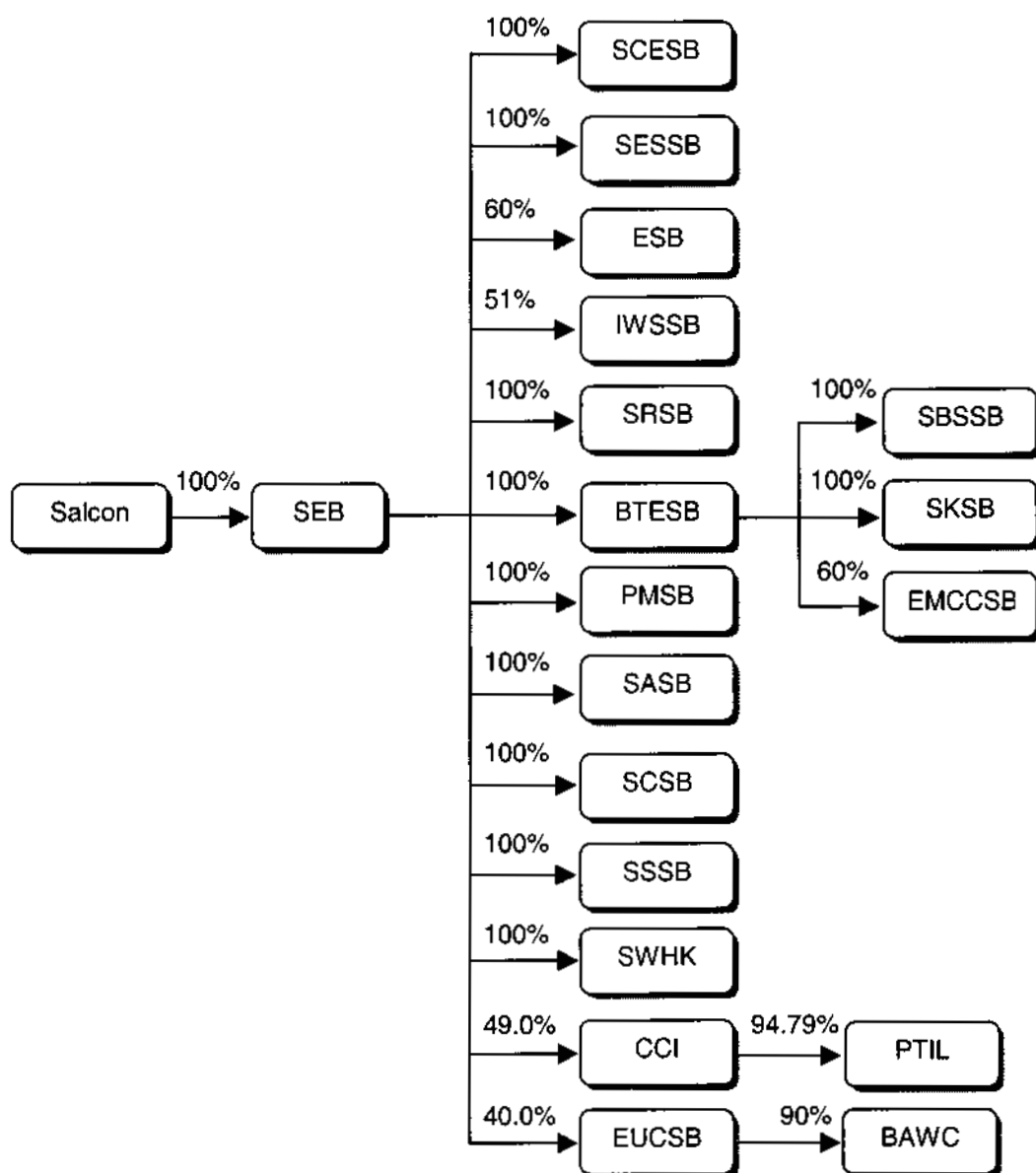
The Salcon Group is organised around five(5) main strategic business units as illustrated below:



The Group's business began in 1974 under SEB constructing water treatment plants for palm oil mills, domestic water supply facilities for plantation workers and swimming pools. SEB was also engaged in the trading of engineering equipment for plantations and buildings. Later, SEB undertook larger turnkey projects to build palm oil mills, water and wastewater treatment plants for the Public Works Department, various municipalities and agro-based industries. Since 1991, SEB has streamlined its activities and operations to focus on providing engineering services, operation, maintenance and investing in privatised projects in the palm oil and water industries. In 1997, the Building Services Division was established to provide engineering services to other industries (i.e. residential and commercial buildings). In March 2002, SEB expanded into the wastewater and sewage treatment industry with the acquisition of ESB.

1. INFORMATION SUMMARY (Cont'd)

An overview of the Salcon Group's corporate structure is set out below:



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1. INFORMATION SUMMARY (Cont'd)

Details of the subsidiary company of Salcon are summarised below:

Company	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activities
SEB	3.4.1974 Malaysia	100.00	<ul style="list-style-type: none"> • Design, construction, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities; • Design, construction and commissioning of palm oil mills; • Provision of mechanical and electrical engineering services for general industries; • Marketing, sales and servicing of equipment for water and palm oil mill industries; and • Investment holding

Details of the subsidiary companies of SEB are summarised below:

Company	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activities
SCESB	3.5.1979 Malaysia	100.0	Marketing, sales and servicing of equipment for water and palm oil industries
SBSSB	9.12.1980 Malaysia	100.0	Provision of engineering services for general industries
SESSB	27.10.1992 Malaysia	100.0	Operation and maintenance of water treatment plants
ESB	30.8.1984 Malaysia	60.0	Design, building, operation and maintenance of wastewater and sewerage treatment plants
IWSSB	4.7.1985 Malaysia	51.0	Operation and maintenance of water treatment plant
SRSB	12.9.1975 Malaysia	100.0	Property investment
BTESB	12.5.1980 Malaysia	100.0	Investment holding
PMSB	28.4.1983 Malaysia	100.0	Dormant
SASB	22.2.1992 Malaysia	100.0	Dormant
SCSB	26.7.1991 Malaysia	100.0	Dormant
SSSB	13.10.1999 Malaysia	100.0	Dormant
SKSB	28.5.1970 Malaysia	100.0	Dormant

1. INFORMATION SUMMARY (Cont'd)

Company	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activities
SWHK	23.4.2003 Hong Kong	100.0	Dormant
EMCCSB	13.5.1991 Malaysia	60.0	Dormant

Details of the associated companies of SEB are summarised below:

Company	Date and Place of Incorporation	Effective Equity Interest (%)	Principal Activities
EUCSB	3.9.1987 Malaysia	40.0	Investment holding company in respect of a water supply project in Vietnam
BAWC	15.3.1995 Vietnam	36.0	Production and supply of treated water to Ho Chi Minh City, Vietnam.
CCI	25.6.1998 Republic of Mauritius	49.0	Investment holding
PTIL	6.4.1993 India	46.4	Oil palm plantation development and manufacture and sale of crude palm oil and related products.

Further details of the Salcon Group are set out in Section 4 of this Prospectus.

1.2 Shareholdings of Promoters, Substantial Shareholders, Directors and Key Management of Salcon

As at 15 July 2003, the direct and indirect shareholdings of the Promoters, substantial shareholders, Directors and key management of the Salcon Group after the Restructuring Exercise are as follows:

Name	No. of Shares Held in Salcon After the IPO*			
	Direct Shares	%	Indirect Shares	%
Promoters and Substantial Shareholders				
KEB	70,551,960	36.89	-	-
MASB	44,368,800	23.20	-	-
ETSB	27,555,240	14.41	-	-
Tan Sri Razali Ismail	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Abdul Nasir Bin Adnan	40,000	0.02	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr. Jaggit Singh a/l Tara Singh	45,000	0.02	27,555,240 ⁽³⁾	14.41
Directors				
Tan Sri Razali Ismail	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr. Jaggit Singh a/l Tara Singh	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr. Foo San Kan	45,000	0.02	-	-
Dato' Dr Freezailah Bin Che Yeom	45,000	0.02	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	45,000	0.02	-	-

1. INFORMATION SUMMARY (Cont'd)

Name	No. of Shares Held in Salcon After the IPO*			
	Direct Shares	%	Indirect Shares	%
Key Management				
Dato' Lim See Teok	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr. Jagjit Singh a/l Tara Singh	45,000	0.02	27,555,240 ⁽³⁾	14.41
Ir. Cheok Yeow Kwang	45,000	0.02	-	-
Ir. Lee Thim Loy	45,000	0.02	-	-
Ir. Low Beng Peow	45,000	0.02	-	-
Mr. Jamiluddin Amini Sulaiman	40,000	0.02	-	-
Mr. A Muruleedharan	40,000	0.02	-	-
Mr. Wong Lim Ann	40,000	0.02	-	-
Mr. Wong Weng Loong	40,000	0.02	-	-
Mr. Eng Boon Chong	40,000	0.02	-	-
Mr. Mohamed Azri B. Mohamed Noordin	40,000	0.02	-	-
Mr. Chan Chow Hun	40,000	0.02	-	-
Ms. Gladys Lim Chee Mei	40,000	0.02	-	-

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

Notes:

(1) Deemed interested by virtue of his substantial shareholdings in MASB

(2) Deemed interested by virtue of his substantial shareholdings in KEB

(3) Deemed interested by virtue of his substantial shareholdings in ETSB

Details of the Promoters, substantial shareholders, Directors and key management of Salcon are set out in Section 6 of this Prospectus.

1.3 Financial Statistics

The following table has been extracted from the Accountants Report in Section 12 of this Prospectus and should be read in conjunction with the notes and the assumptions thereto.

The summarised proforma consolidated results of the Salcon Group for the financial years ended 31 July 1998 to 2002 and six(6) months ended 31 January 2003, assuming the Salcon Group has been in existence for the entire financial years/period under review, are set out in the following page:

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1. INFORMATION SUMMARY (Cont'd)

	Proforma					6 months ended 31 January 2003
	Year ended 31 July					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	125,963	102,415	104,003	129,775	153,460	123,285
EBIDTA	9,354	13,239	12,918	16,959	16,185	18,781
Interest expense	(1,093)	(711)	(635)	(465)	(1,823)	(1,093)
Depreciation	(502)	(458)	(835)	(892)	(944)	(767)
Amortisation	(12)	(18)	(530)	(530)	(605)	(494)
	(1,607)	(1,187)	(2,000)	(1,887)	(3,372)	(2,354)
Operating profits	7,747	12,052	10,918	15,072	12,813	16,427
Share of profit/(loss) of associated company	(7)	(1)	2,098	1,827	4,070	2,052
Share of profit in joint venture	-	_(a)	_(a)	-	-	85
Profit from ordinary activities	7,740	12,051	13,016	16,899	16,883	18,564
Exceptional items ^(b)	-	-	(947)	-	-	-
Profit before taxation	7,740	12,051	12,069	16,899	16,883	18,564
Taxation ^(c)	(1,667)	-	1,010	(3,668)	(3,138)	(4,836)
Profit after exceptional items and taxation	6,073	12,051	13,079	13,231	13,745	13,728
Minority interest	-	-	(206)	(734)	(1,283)	(2,266)
Profit attributable to shareholders	6,073	12,051	12,873	12,497	12,462	11,462
Pre-tax profit margin (%)	6.14	11.77	12.52	13.02	11.00	15.06
Number of ordinary shares in issue during the year ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross ^(d)	38.70	60.26	64.05	80.83	78.00	92.82
- Net ^(e)	30.37	60.26	69.10	62.49	62.31	68.64

Notes:

(a) Share of profit of joint venture had been proportionately taken up in the revenue and contract cost recognised as an expense.

(b) The exceptional items arose from unrealised foreign exchange loss and foreseeable loss written back.

(c) Taxation has been adjusted for over/under provision in the respective years.

(d) Gross earnings per share has been calculated based on proforma profit before exceptional items and taxation but after MI on the number of ordinary shares issued.

(e) Net earnings per share has been calculated based on proforma profit before exceptional items but after taxation and MI on the number of ordinary shares issued.

(f) There are no extraordinary items during the financial years/period under review.

The summarised proforma consolidated results have been prepared based on the following assumptions:

(i) The results and the effects of those investments disposed of during the past five financial years have been excluded from the proforma consolidated results.

(ii) The current structure of the Group has been in existence throughout the years/period under review.

1. INFORMATION SUMMARY (Cont'd)

1.4 Proforma Consolidated Balance Sheet of the Salcon Group as at 31 January 2003

The Proforma Consolidated Balance Sheet set out below is provided for illustrative purposes only to show the effects on the audited balance sheet of Salcon as at 31 January 2003 after taking into account the Public Issue and Offer for Sale had these proposals been effected on that date.

Proforma	(1)	(2)	(3)	(4)	(5)
	Audited Balance Sheet of Salcon	After Share Exchange	After (1) and Acquisition	After (2) and Public Issue	After (3) and Debt Settlement
(RM'000)					After (4) and ESOS
Property, plant and equipment	-	-	17,521	17,521	17,521
Investment in associate companies	-	-	65,723	65,723	65,723
Other investment	-	-	140	140	140
Intangible asset	-	28,417	28,417	28,417	-
Goodwill	-	-	3,604	3,604	3,604
	-	28,417	115,405	115,405	86,988
Current Assets					
Inventories	-	-	258	258	258
Trade and other receivables	-	-	204,260	204,260	204,260
Tax recoverable	-	-	7	7	7
Cash and cash equivalents	**	**	16,138	51,178	20,678
	**	**	220,663	255,703	43,629
Current Liabilities					
Trade and other payables	-	28,000	157,974	157,974	129,974
Borrowings	-	-	64,043	64,043	64,043
Taxation	-	-	2,471	2,471	2,471
	-	28,000	224,488	224,488	196,488
Net Current (Liabilities)/Assets	**	(28,000)	(3,825)	31,215	51,666
	**	417	111,580	146,620	138,654

1. INFORMATION SUMMARY (Cont'd)

Proforma	(1)	(2)	(3)	(4)	(5)
Audited Balance Sheet of Salcon	After Share Exchange	After (1) and Acquisition	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and ESOS
(RM'000)					
Financed by:					
Capital And Reserves					
Share Capital	417	80,615	95,215	95,631	105,194
Share premium	-	-	20,440	17,940	31,328
Reserves	-	24,952	24,952	(3,881)	(3,881)
Shareholders' funds	417	105,567	140,607	109,690	132,641
Minority Shareholders' Interests	-	4,782	4,782	4,782	4,782
Long Term And Deferred Liabilities					
Borrowings	-	1,109	1,109	1,109	1,109
Deferred taxation	-	122	122	122	122
	417	111,580	146,620	115,703	138,654
Net tangible assets per share (RM)	-	0.29	0.43	0.42	0.49

** RM1

Detailed Proforma Consolidated Balance Sheet and the Reporting Accountant's letter thereon are set out in Sections 10.9 and 10.10 of this Prospectus respectively.

1. INFORMATION SUMMARY (Cont'd)

1.5 Risk Factors

The following are a list of the risk factors (which may not be exhaustive) as extracted from Section 3 of this Prospectus which applicants for the IPO should carefully consider in addition to other information contained elsewhere in this Prospectus before applying for the IPO.

- (i) Political, Economic, Regulatory and Environmental Considerations;
- (ii) Business Risks;
- (iii) Competition;
- (iv) Dependence on Key Personnel;
- (v) Dependence on Certain Customers/Contractors and Suppliers;
- (vi) Investment on Overseas Ventures;
- (vii) Foreign Exchange Fluctuation;
- (viii) Ownership and Control by Substantial Shareholders;
- (ix) Profit Estimate and Forecast;
- (x) Disclosure Regarding Forward-Looking Statements;
- (xi) Investment Activities Risk;
- (xii) Financial Risks;
- (xiii) Insurance Coverage on Assets;
- (xiv) Dependence on Particular Markets and Geographical Locations;
- (xv) Material Litigation;
- (xvi) O&M Risks; and
- (xvii) Quality of Treated Water.

Further details of the risk factors are set out in Section 3 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)**1.6 Principal Statistics Relating to the IPO**

The following statistics relating to the IPO are derived from the full text of the Prospectus and should be read in conjunction with the text.

	RM
AUTHORISED SHARE CAPITAL	
1,000,000,000 Shares	<u>500,000,000</u>
ISSUED AND FULLY PAID-UP SHARE CAPITAL	
162,062,502 Shares	81,031,251
TO BE ISSUED PURSUANT TO THE PUBLIC ISSUE	
29,200,000 new Shares	<u>14,600,000</u>
Enlarged Share Capital	<u>95,631,251</u>
TO BE OFFERED PURSUANT TO THE OFFER FOR SALE	
17,920,000 Shares	8,960,000
IPO PRICE PER SHARE	1.20

There is only one class of shares in the Company namely ordinary shares of RM0.50 each, all of which rank pari passu with one another. The Public Issue Shares will rank pari passu in all respects with the other existing issued and paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

1.7 Proforma Consolidated NTA

	RM'000
Proforma Consolidated NTA as at 31 January 2003 <i>(After taking into account an exceptional item of RM28.8 million, being the payment of RM28.0 million cash to SHCB's creditors, approximately RM0.4 million worth of Salcon Shares to the SA and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB's shareholders and estimated restructuring and listing expenses of RM2.5 million)</i>	79,708
	RM
Proforma Consolidated NTA per Share <i>(Based on the enlarged share capital of 191,262,502 Shares)</i>	0.42

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1. INFORMATION SUMMARY (Cont'd)**1.8 Highlights of the Proforma Consolidated Profit and Dividend Estimate and Forecast****PROFORMA CONSOLIDATED PROFIT ESTIMATE AND FORECAST**

Financial Year Ending 31 July	2003 Estimate RM'000	2004 Forecast RM'000
Turnover	242,093	388,575
EBITDA	47,265	52,540
Depreciation and amortisation	(2,706)	(3,306)
Profit before interest and taxation	44,559	49,234
Interest expense	(5,307)	(5,312)
Profit before taxation and exceptional item	39,252	43,922
Taxation	(9,974)	(12,199)
Profit after taxation but before minority interest	29,278	31,723
Minority interest	(2,877)	(1,833)
Profit after taxation and minority interest	26,401	29,890
The enlarged number of ordinary shares of RM0.50 each ('000)	191,263	191,263
Net earnings per ordinary share based on the enlarged number of ordinary shares (sen)	13.80	15.63
Net PE Multiple based on the Public Issue/Offer price of RM1.20 per Share (times)	8.70	7.68

Note:

The estimate for the financial year ending 31 July 2003 excludes:

- (i) a 11½ month adjustment to pre-acquisition reserves which take into account the effective date of the Acquisition in mid-July 2003; and
- (ii) an exceptional item (i.e. payment of RM28.0 million cash to SHCB's creditors, approximately RM0.4 million worth of Salcon Shares to the SA and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB's shareholders)

DIVIDEND ESTIMATE AND FORECAST

Financial Year Ending 31 July	2003*	2004
Gross dividend per Share (sen)	-	2.60
Net dividend per Share (sen)	-	2.60
Gross dividend per Share (%)	-	5.20
Net dividend yield based on Public Issue/Offer price of RM1.20 per Share (%)	n/a	2.17
Net dividend cover (times)	n/a	6.01

Note:

* SEB has on 11 July 2003 (i.e. prior to completion of the Acquisition) declared a tax exempt dividend of 25% to the then existing shareholders of SEB, which is consistent with the dividend track record of SEB

Detailed information on the profit and dividend estimate and forecast are set out in Section 10.4 and 10.8 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)**1.9 Utilisation of Proceeds**

All proceeds of the Public Issue after deducting the related expenses will accrue to Salcon. Salcon intends to use the proceeds from the Public Issue in the following manner:

	RM'000
Debt settlement to SHCB's creditors	28,000
Working capital	4,540
Restructuring and listing expenses	2,500
	35,040

Salcon will bear all other expenses incidental to the listing and quotation of Salcon Shares on the Main Board of the KLSE which include underwriting commission, placement fee, brokerage, registration fee, professional fees, SC fee, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM2.5 million.

Proceeds from the Offer for Sale shall accrue to the Offerors and no part of the proceeds is receivable by Salcon. The Offerors shall bear all expenses, such as placement fee, registration fee and share transfer fee relating to the Offer Shares.

Further details of the abovementioned utilisation of proceeds are set out in Section 2.7 of this Prospectus.

1.10 Material Litigation, Contingent Liabilities and Capital Commitment

As at 15 July 2003 (being the last practicable date prior to the printing of this Prospectus):

- (a) Save as disclosed in Section 14.7 of this Prospectus, Salcon and its subsidiaries are not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of Salcon and its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of Salcon and its subsidiaries.
- (b) Save as disclosed in Section 10.3(iii) of this Prospectus, Salcon and its subsidiaries have no other contingent liabilities.
- (c) Salcon and its subsidiaries have no material capital commitments.

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2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 28 July 2003.

A copy of this Prospectus has been registered with the SC and lodged with the Chief Executive Officer of the Companies Commission of Malaysia, who takes no responsibility for its contents.

The approval of the SC obtained vide its letters dated 26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003 shall not be taken to indicate that the SC recommends the IPO and investors should rely on their own evaluation to assess the merits and risks of the IPO.

An approval-in-principle has been obtained from the KLSE on 18 July 2003 for the listing of and quotation for the entire issued and fully paid-up share capital of Salcon on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of Applications will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Salcon Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned if the said permission for listing is not granted within six(6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to Section 14(1) of the Central Depositories Act and Section 39(1)(j) of the Act, KLSE has prescribed Salcon as a prescribed securities. In consequence thereof, the Salcon Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Salcon. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Salcon since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Shares of the IPO in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.1 Share Capital**

	RM
AUTHORISED SHARE CAPITAL	
1,000,000,000 Shares	<u>500,000,000</u>
ISSUED AND FULLY PAID-UP SHARE CAPITAL	
162,062,502 Shares	81,031,251
TO BE ISSUED PURSUANT TO THE PUBLIC ISSUE	
29,200,000 new Shares	14,600,000
Enlarged Share Capital	<u>95,631,251</u>
TO BE OFFERED PURSUANT TO THE OFFER FOR SALE	
17,920,000 Shares	8,960,000
IPO PRICE PER SHARE	1.20

There is only one class of shares in the Company, namely Shares all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respects with the other existing Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held.

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2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.2 Basis of Arriving at the Public Issue/Offer Price

The Public Issue/Offer price of RM1.20 per Share was determined and agreed upon by the Company, Offerors and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:

- (i) The Salcon Group forecasts a consolidated profit after taxation and minority interests of RM29.9 million for the financial year ending 31 July 2004. Based on the enlarged issued and paid-up share capital of Salcon prior to the exercise of ESOS options of RM95,631,251 comprising 191,262,502 Salcon Shares, the net EPS of the Salcon Group is 15.6 sen for the financial year ending 31 July 2004.

Therefore, the Public Issue/Offer price of RM1.20 per Salcon Share represents a net PE Multiple of approximately 7.7 times based on the said profit forecast.

- (ii) The proforma NTA value of the Salcon Group as at 31 January 2003 after the Public Issue is approximately RM79.708 million or approximately RM0.42 per Salcon Share based on the enlarged issued and paid-up share capital of Salcon prior to the exercise of ESOS options of 191,262,502 Salcon Shares.

Therefore, the indicative Public Issue/Offer price of RM1.20 per Salcon Share will represent a premium of RM0.78 or 186% to the said proforma NTA per Salcon Share.

Comparison with other companies involved in the water and wastewater industry is set out in Section 4.6.1 of this Prospectus.

After due consideration of the abovementioned factors, the Directors and AmMerchant Bank are of the opinion that the Public Issue/Offer price is fair and reasonable.

However, shareholders should also note that the market price of Salcon Shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Salcon Shares being traded.

Investors should form their own view on the valuation of the securities and the reasonableness of the basis used.

2.3 Details of the IPO

Public Issue Shares

The Public Issue of 29,200,000 new Shares at an issue price of RM1.20 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus. The 29,200,000 Public Issue Shares will be allocated and allotted in the following manner:

- (i) 6,823,000 of the Public Issue Shares will be reserved for the eligible employees and directors of the Salcon Group, the business associates of the Salcon Group as well as the eligible directors and employees of KEB;
- (ii) 3,177,000 of the Public Issue Shares will be made available for application by the Malaysian Public, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iii) 19,200,000 of the Public Issue Shares will be reserved for potential placees (who are deemed public) who have been identified/to be identified via private placement.

The Public Issue Shares of 29,200,000 Shares represent approximately 15.3% of the enlarged issued and paid-up share capital of 191,262,502 Shares.

The Public Issue Shares in respect of paragraphs (i) and (ii) above have been fully underwritten. Any Public Issue Shares in respect of paragraph (i) above which are not subscribed for by eligible directors, employees and business associates of the Salcon Group as well as the eligible directors and employees of KEB ("Unsubscribed Shares") will be reoffered to eligible employees of the Salcon Group on the following basis:-

- (i) 80% of the Unsubscribed Shares will be reoffered to eligible employees who have been employed with the Salcon Group for more than 5 years; and
- (ii) 20% of the Unsubscribed Shares will be reoffered to eligible employees who have been employed with the Salcon Group for 1 to 5 years.

If the Unsubscribed Shares are not fully taken up under the above reoffering, the said Unsubscribed Shares will be made available for application by the Malaysian Public via balloting. In the event of an overall undersubscription, the remaining Unsubscribed Shares will be allocated proportionately to the underwriters.

Offer Shares

The 17,920,000 Offer Shares at an offer price of RM1.20 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus. The Offer Shares will be reserved for potential placees (who are deemed public) who have been identified/to be identified via private placement.

2.4 Details on the Pink Forms Allocation

The total number of persons eligible for the pink forms allocation is 350. The allocation of the pink form shares to the directors, employees and business associates of the Salcon Group as well as the eligible directors and employees of KEB are based on seniority, position, length of services and contribution to the Salcon Group. The number of Shares that will be allotted to the Directors are as follows:

Name of Directors	Number of Shares
Tan Sri Razali Ismail	45,000
Dato' (Dr) Teoh Seng Foo	45,000
Dato' Lim See Teok	45,000
Mr. Jagjit Singh a/l Tara Singh	45,000
Mr. Foo San Kan	45,000
Dato' Dr Freezailah Bin Che Yeom	45,000
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	45,000
Total	315,000

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.5 Critical Dates of the IPO**

Events	Tentative Date
Issue of Prospectus/Opening date of the IPO	28 July 2003
Closing date of the IPO*	8 August 2003
Balloting of applications	13 August 2003
Despatch of notices of allotment of Salcon Shares to successful applicants	27 August 2003
Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	3 September 2003

Note:

* or such period or periods as the Directors and Promoters in their discretion may decide, subject to the consent of the Managing Underwriter and Underwriters. Where the closing date of Application is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated newspaper not less than one(1) market day before the original closing date.

2.6 Purposes of the IPO

The purposes of the IPO are as follows:

- (a) To enable the Salcon Group to gain access to the capital market to raise funds for future expansion and growth of the Group;
- (b) The listing of Salcon Shares on the Main Board of the KLSE is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base;
- (c) To provide the opportunity for the directors and eligible employees of the Salcon Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group; and
- (d) To obtain listing of and quotation for the entire enlarged issued and paid-up share capital of Salcon on the Main Board of the KLSE.

2.7 Utilisation of Proceeds

All proceeds of the Public Issue after deducting the related expenses will accrue to Salcon. Salcon intends to use the proceeds from the Public Issue in the following manner:

	RM'000
Debt settlement to SHCB's creditors	28,000
Working capital	4,540
Restructuring and listing expenses	2,500
	35,040

Salcon will bear all other expenses incidental to the listing of and quotation for Salcon Shares on the Main Board of the KLSE which include underwriting commission, brokerage, registration fees, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM2.5 million.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Proceeds from the Offer for Sale shall accrue to the Offerors and no part of the proceeds is receivable by Salcon. The Offerors shall bear all expenses, such as placement fee, brokerage, registration fee and share transfer fee relating to the Offer Shares.

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are either underwritten or reserved for potential placees who have been identified/to be identified. Details on the utilisation of proceeds are as follows:

Notes:

- Debt Settlement to SHCB's Creditors**

This relates to the debt settlement of SHCB's creditors for the outstanding debts due from SHCB to such creditors as part of SHCB's Restructuring Exercise.

- Restructuring and Listing Expenses**

The estimated restructuring and listing expenses for the listing of and quotation for the enlarged share capital of 191,262,502 Shares in Salcon on the Main Board of the KLSE are as follows:

	RM
Professional advisory fees ⁽¹⁾	1,140,000
SC fees	100,000
KLSE fees	70,000
Underwriting commission	300,000
Brokerage	66,000
Advertising of Prospectus	200,000
Printing of Prospectus, Application Forms and envelopes	140,000
Issuing House fees and disbursements	85,000
Miscellaneous ⁽²⁾	399,000
Total	2,500,000

Notes:

(1) Include fees for the Advisors, Reporting Accountant, Solicitors and other professional advisors

(2) Any unutilised amount shall be used for working capital purposes of the Company

- Working Capital**

Salcon proposes to utilise approximately RM4.54 million for working capital purposes. The amount set aside for working capital will mainly be utilised to finance current ongoing and future projects for water treatment plants to be undertaken by the Salcon Group.

As the listing proceeds are only expected to be received after the end of Salcon's financial year ending 31 July 2003, it is not expected to have a financial impact on the Group for the financial year ending 31 July 2003. The Group is expected to fully utilise the proceeds from the Public Issue by the end of 2003.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.8 Financial Impact from Utilisation of Proceeds**

The utilisation of the Public Issue proceeds by the Group is not expected to have any material impact on the PAT of the Group for the financial year ending 31 July 2003. However, the said utilisation is expected to enhance the PAT of the Group by approximately RM0.4 million for the financial year ending 31 July 2004.

2.9 Brokerage and Underwriting Commission

The Underwriters as mentioned in the Corporate Directory Section of this Prospectus, have agreed to underwrite 10,000,000 of the Public Issue Shares to be issued to the Malaysian Public and the eligible employees, directors and business associates of the Salcon Group as well as the eligible directors and employees of KEB. Underwriting commission is payable by Salcon at the rate of 2.5% of the issue price of RM1.20 per Share for the Shares which are being underwritten.

Brokerage is payable in respect of the Public Issue Shares by Salcon at the rate of 1.0% of the issue price of RM1.20 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.10 Salient Terms of the Underwriting Agreement

The following are extracts of some of the provisions of the Underwriting Agreement dated 22 July 2003 ("Agreement"), made between the Company, the Managing Underwriter and the Underwriters stating the events that may allow the Underwriters to withdraw from their obligations under the Agreement and hence affect the underwriting of the IPO:

Clause 3.1

The several obligations of the Underwriters under this Agreement are conditional upon:

- 3.1.1 the Company obtaining the SC's final approval of the draft Prospectus;*
- 3.1.2 the delivery to the SC of the Prospectus for registration in accordance with the requirements under Section 42 of the SC Act together with copies of all documents required by that section and/or the SC Act;*
- 3.1.3 the lodgement of the Prospectus with the CCM;*
- 3.1.4 the Company obtaining the KLSE's approval-in-principle for the listing of and quotation for all the Public Issue Shares and the Offer Shares on the Main Board of the KLSE;*
- 3.1.5 the execution of all agreements in relation to the private placement in form and substance acceptable to the Placement Agent; and*
- 3.1.6 the Company meeting the public spread requirement under the KLSE Listing Requirements.*

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Clause 3.2

If any of the conditions in clauses 3.1.1 to 3.1.6 is not satisfied on or before the Closing Date, each of the Underwriters is entitled by notice in writing to the Company to:

3.2.1 terminate this Agreement to the extent of its obligations contained in it; and

3.2.2 cease performance of its obligations under this Agreement.

Clause 3.3

In the event this Agreement is terminated pursuant to clause 3.2, the parties to this Agreement will be released and discharged from their obligations under this Agreement (except for the liability of the Company for payments of costs and expenses as provided in clause 16.3 incurred prior to or in connection with such termination).

Clause 3.4

Any of the Underwriters may, at its discretion, waive compliance with any of the provisions of this clause.

Clause 11.1

Upon the occurrence of any of the following events coming to the notice of the Managing Underwriter and/or the other Underwriters prior to the Closing Date, the Underwriters will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under this Agreement, by giving notice in writing to such effect to the Company:

11.1.1 any breach of the representations or warranties in clause 9 or the covenants and undertakings in clause 10 by the Company which, if capable of being remedied, is not remedied by the earlier of:

(a) the date falling three(3) Market Days after notice of such breach is given by the Underwriters to the Company; or

(b) the Closing Date;

11.1.2 any failure by the Company to perform any of its obligations or to comply with any of the provisions in this Agreement which, if capable of being remedied, is not remedied by the earlier of:

(a) the date falling three(3) Market Days after notice of such default is given by the Underwriters to the Company; or

(b) the Closing Date; and

11.1.3 any change rendering any of the representations and warranties in clause 9 false, misleading or otherwise inaccurate.

Clause 11.2

Notwithstanding clause 11.1, the Company will remain liable for the payment of the costs and expenses referred to in clause 16.3 which are incurred prior to or in connection with such release and discharge.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Clause 11.3

Any failure by the Company to make any notification will not prejudice the right of the Underwriters to treat any further or other breach, failure or change as releasing and discharging the Underwriters from their obligations under this Agreement.

Clause 14.1 Termination by the Underwriters in event of Adverse Change

14.1.1 Notwithstanding anything contained in this Agreement, the Underwriters or any of them may at any time before the Closing Date terminate, cancel or withdraw their respective obligations or commitments under this Agreement by giving notice in writing to the Company, if there is:

- (a) any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions of the stock markets in Malaysia and overseas, foreign exchange markets or money markets or that with regard to inter-bank offer or interest rates in Malaysia and overseas) which will, in the reasonable opinion of the Underwriters, materially and adversely affect the Company and the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;
- (b) any change in exchange controls or currency exchange rates which will, in the reasonable opinion of the Underwriters, materially and adversely affect the success of the offering and issuance of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market);
- (c) any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, any other regulatory authorities or any governmental bodies, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company and the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;
- (d) any Government requisition or occurrence of any other nature which will materially and adversely affects or will materially and adversely affect the business and/or financial position of any member of the Group;
- (e) any breach of the representations, warranties and undertakings set out in clauses 9 and 10 which will materially and adversely affect the successful offering and issuance of the Public Issue Shares or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (f) any event or series of events beyond the reasonable control of the Underwriters (including but not limited to acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has the effect of making any material part of this Agreement incapable of performance in accordance with its terms or which prevents the processing of applications, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to its underwriting;
- (g) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the KLSE due to exceptional financial circumstances or otherwise;
- (h) any failure on the part of the Company to perform any of its obligations contained in this Agreement;
- (i) any withholding of information of a material nature from the Underwriters which will have or may reasonably be expected to have a material and adverse affect on the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or
- (j) any material and adverse change to the business and/or financial position of the Group.

14.1.2 On delivery of such notice as stated in clause 14.1.1 by the Managing Underwriter or any one or more of the Underwriters ("**Terminating Underwriter(s)**"), through the Managing Underwriter:

- (a) this Agreement will be terminated as between the Company and the Terminating Underwriter(s) delivering such notice;
- (b) the obligations of the Company (only in respect of and towards such Terminating Underwriter(s)) and such Terminating Underwriter(s) under this Agreement (except for the liability of the Company for the payment of costs and expenses referred to in clause 16.3 incurred prior to or in connection with such termination) will cease; and
- (c) the Company and such Terminating Underwriter(s) will not have any claim against each other in respect of any thing or matter arising out of this Agreement.

14.1.3 The Underwriters and the Company may however confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and entering into a new underwriting agreement accordingly, but neither the Company nor the Underwriters will be under any obligation to enter into a new agreement.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**Clause 14.2 Termination due to Lapse of Time**

14.2.1 *In the event that the Closing Date shall fall after three (3) months from the Agreement Date, this Agreement will lapse and the Underwriters will be released and discharged from all of their obligations under this Agreement and the Company may enter into a fresh underwriting agreement with the same and/or different underwriters. To avoid any doubt, the Company will not be released from its liability to pay all costs, charges and expenses referred to in clause 16.3 which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of this Agreement.*

2.11 Moratorium on Shares

The SC, in approving, amongst others, the Public Issue and Offer for Sale has imposed a moratorium on 80,198,000 Salcon Shares representing 50% of the consideration shares to be received by the vendors of SEB i.e. KEB, MASB and ETBS ("Moratorium Shares") collectively.

In relation to this, KEB, MASB and ETBS will not be allowed to sell, transfer or assign the Moratorium Shares for at least one(1) year from the date of listing of the said consideration shares on the KLSE. Thereafter, KEB, MASB and ETBS are allowed to sell, transfer or assign not more than one-third (1/3) per annum of the Moratorium Shares on a straight line basis. However, Salcon may apply the moratorium condition by the SC in the event revised guidelines on the said moratorium are announced, in line with the disclosure-based regulation.

The SC's guidelines have been revised and issued on 1 April 2003. Accordingly, as listed in the table below, KEB, MASB and ETBS will not be allowed to sell, transfer or assign the Moratorium Shares in Salcon representing 41.93% of the enlarged share capital of 191,262,502 Salcon Shares within one (1) year only from the date of admission of the Company to the Official List of the Main Board of the KLSE.

Name	Existing	Under Moratorium	
	No. of Consideration Shares	No. of Moratorium Shares	% of enlarged issued and paid-up share capital
KEB	81,801,960	40,900,980	21.38
MASB	48,118,800	24,059,400	12.58
ETBS	30,475,240	15,237,620	7.97
Total	160,396,000	80,198,000	41.93

The restriction, which is fully accepted by KEB, MASB and ETBS, is specifically endorsed on the share certificates representing the respective shareholdings of KEB, MASB and ETBS which are under moratorium to ensure that Salcon's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The shareholders of MASB, namely Tan Sri Razali Bin Ismail and Abdul Nasir Bin Adnan have provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in MASB during the moratorium period.

Similarly, the shareholders of ETBS, namely Dato' Lim See Teok and Jagjit Singh a/l Tara Singh have also provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in ETBS during the moratorium period.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The endorsement which will be affixed in the certificates of the securities under moratorium is as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the 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"

However, pursuant to the SC's letter dated 26 December 2002, the Moratorium Shares are allowed to be pledged as long as there is no change in the beneficial ownership of the Moratorium Shares and the SC's approval is required for any disposal of the Moratorium Shares.

2.12 Approvals from Authorities

The Public Issue and Offer for Sale were approved by the following authorities as follows:

Authorities	Date
SC	26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003
MITI	27 December 2002
FIC	26 December 2002 and 7 March 2003

The details of the conditions imposed by all the relevant authorities and status of compliance are set out below:

Conditions Imposed By SC	Status of Compliance
Vide SC's letters dated 26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003	
1. SC's approval is required for any revision to the original utilisation of the proceeds in the event that the revision involves utilisation of proceeds for business activities other than for the core business of SHCB/Salcon	Will comply
2. The approval of SHCB/Salcon's shareholders is required for any subsequent changes to the utilisation of the proceeds, that deviate by 25% or more from the original utilisation of proceeds. Should the deviation be less than 25%, appropriate disclosure is required to be made to the shareholders of SHCB/Salcon	Will comply
3. Any extension of time from the timeframe fixed by SHCB/Salcon for the completion of utilisation of proceeds should be approved by a clear resolution of the Board of SHCB/Salcon and must be fully disclosed to the KLSE	Will comply

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
<p>4. Appropriate disclosure on the status of utilisation of proceeds is required to be made in the quarterly results and annual reports of SHCB/Salcon and should continue until the proceeds have been fully utilised</p>	Will comply
<p>5. A moratorium shall be imposed on 80,198,000 Salcon Shares representing 50% of the consideration shares to be received by the vendors of SEB, i.e. KEB, MASB, and ETSB as stipulated under Paragraph 18.09(5) of the Policies and Guidelines on Issue/Offer of Securities issued by the SC ("SC Guidelines"). In relation to this, the vendors of SEB, i.e. KEB, MASB and ETSB will not be allowed to sell, transfer or assign their shares for at least one(1) year from the date of listing of the said consideration shares on the KLSE.</p>	Will comply
<p>Thereafter, KEB, MASB and ETSB are allowed to sell, transfer or assign not more than one-third (1/3) per annum of the said total shares its shareholdings under the moratorium.</p>	
<p>In the event that the seller of the above assets is a private company, the ultimate beneficial owner is required to furnish a declaration to the SC to comply with the moratorium condition as stipulated in the SC's Guidelines. AmMerchant Bank is required to inform the SC on the details of the parties holding the moratorium shares prior to the issuance of the information circular to the shareholders. SHCB/Salcon may apply the moratorium condition by the SC in the event revised guidelines on the said moratorium are announced, in line with the disclosure-based regulation.</p>	<p>Complied. Copies of the declaration letters from MASB and ETSB have been furnished to the SC on 23 July 2003</p> <p>The SC's guidelines have been revised and issued on 1 April 2003. Accordingly, KEB, MASB and ETSB will not be allowed to sell, transfer or assign the Moratorium Shares within one (1) year only from the date of admission of the Company to the Official List of the Main Board of the KLSE</p>
<p>6. Full disclosure is required to be made in the information circular to the shareholders as well as the prospectus, including but not limited to the following:</p>	
<p>(a) Remaining contracts currently being completed and how SHCB/Salcon proposes to secure new contracts and projects for the future;</p>	Complied. Details are set out in Section 4.5 and 4.10 of this Prospectus
<p>(b) Management risks for the Salcon Group's activities;</p>	}
<p>(c) Risks in relation to the business activities of the Salcon Group, including but not limited to the risks of not securing any contracts in future.</p>	<p>} Complied. Details are set out in Section 3 of this Prospectus</p> <p>}</p> <p>}</p>
<p>7. In relation to the trade debtors, the companies which are to be acquired are required to implement the following prior to the printing of the information circular to the shareholders and the prospectus:</p>	
<ul style="list-style-type: none"> Full provision is required to be made for trade debtors exceeding the six(6) months period and the Reporting Accountant is required to furnish a written confirmation to the SC on the said provision; and 	<p>The SC has vide its letter dated 2 June 2003 approved an appeal in respect of the provision required to be made by SEB. Further details of the condition imposed on the said approval are set out in item 8 below</p> <p>A written confirmation by the Reporting Accountant dated 7 July 2003 has been furnished to the SC on 9 July 2003</p>

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
<ul style="list-style-type: none"> Directors of the companies to be acquired are required to submit a written confirmation to the SC that the trade debtors exceeding the credit limits can be recovered and full provisions have been made for the trade debtors exceeding the six(6) months period 	Complied. A written confirmation by the directors of SEB has been furnished to the SC on 7 July 2003
<p>Salcon/SHCB has to inform the SC that the companies to be acquired have met all the abovementioned conditions prior to the printing of the explanatory statement to creditors/shareholders and Prospectus</p>	Complied. The SA on behalf of SHCB, has vide its letter dated 10 July 2003 informed the SC that the said conditions imposed have been met
<p>8. The SC has vide its letter dated 2 June 2003 further imposed certain conditions in relation to trade debtors as follows:-</p>	
<ul style="list-style-type: none"> Adequate provisions of the SEB Group for its trade debtors exceeding the six(6) months period except for the amount owing by the government and debtors whereby settlement arrangements are in place, i.e. Sejati Builders Sdn Bhd. However, the SEB Group shall make full and immediate provision for the debts owing by the abovementioned parties as soon as the SEB Group is aware that the collectibility of the said debts are doubtful 	Complied. The SA on behalf of SHCB, has vide its letter dated 10 July 2003 informed the SC that the said conditions imposed have been met
<ul style="list-style-type: none"> Full disclosure in the information circular to shareholders and the prospectus of the following matters:- <ul style="list-style-type: none"> (i) the basis of the doubtful debts not provided for in respect of any trade debtor which exceeds the six(6) month credit period; and (ii) details of non-trade debtors, i.e. amounts due from companies related to the SEB Group and its directors, including undertakings from the abovementioned debtors to settle the outstanding amounts within fourteen(14) days from the listing of Salcon on the Main Board of the KLSE 	Complied. Details are set out in Section 4.11 of this Prospectus
<p>9. AmMerchant Bank is required to furnish the SC with a final draft copy of the information circular to shareholders for the SC's perusal</p>	Complied. A copy of the draft information circular to shareholders was sent to the SC on 27 June 2003
<p>10. The ESOS is subject to the following conditions:</p>	
<p>(a) A final copy of the ESOS By-Laws is to be furnished to the SC for SC's records;</p>	Complied. A final copy of the ESOS By-Laws was furnished to the SC on 23 July 2003
<p>(b) A confirmation letter from AmMerchant Bank stating that:</p> <ul style="list-style-type: none"> all of SC's conditions for approval have been met and the ESOS By-Laws do not contradict with the SC's Guidelines; and the ESOS have been approved by all parties concerned and that all conditions have been fulfilled 	Will comply. The confirmation letter from AmMerchant Bank will be furnished to the SC on implementation of the ESOS
<p>The date of the letter of confirmation to be furnished to the SC as mentioned in the above paragraph (b) will signify the effective date for the launch/implementation of the ESOS; and</p>	

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
<p>A further extension of time from the duration fixed for the abovementioned ESOS has to be made known to the grantee and a relevant announcement is to be made to the relevant parties within 30 days prior to the expiry of the ESOS.</p>	
<p>11. SHCB is required to appoint an independent audit firm (which is experienced in investigative audit and must not be the current nor the previous auditors of SHCB) within two months from the date of the letter of approval from the SC to conduct an investigative audit on SHCB's previous business losses. SHCB is also required to take necessary/relevant steps to recover the said losses. Based on the findings of the investigative audit, SHCB is to report to the relevant authorities if there are any breach of any laws, rules, guidelines and/or memorandum and articles of SHCB involving members of the Board of SHCB and/or any other party that has caused the said losses of SHCB. The investigative audit is to be completed within six (6) months from the date of appointment of the independent audit firm. Two copies of the said investigative audit report must be made available to the SC after the completion of the investigative audit</p>	<p>Complied. Messrs Shamsir Jasani Grant Thornton has been appointed on 26 February 2003 to undertake the investigative audit</p> <p>Will comply. Two copies of the investigative audit report will be furnished to the SC after completion of the investigative audit</p>
<p>12. Full compliance with the requirements in relation to the implementation of the above proposals under the SC's Guidelines, particularly the Guidelines stated in Chapter 25</p>	<p>Will comply</p>
<p>13. The ESOS By-Laws of Salcon incorporate a clause stipulating that the allocation of additional options will not be made at any point in time after Salcon has implemented its share buy-back unless the options that have been granted pursuant to the ESOS are not in excess of ten percent (10%) of the issued and paid-up share capital of Salcon.</p>	<p>Complied. The clause is set out as By-Laws 3.2 and 14.3(d)</p>
<p>14. The Moratorium Shares are allowed to be pledged as long as there is no change in the beneficial ownership of the Moratorium Shares and the SC's approval is required for any disposal of the Moratorium Shares.</p>	<p>Will comply</p>
<p>15. An appropriate announcement is to be made to the KLSE on the SC's approval for the Asset Sale and extension of time to 31 October 2003 to complete the Restructuring Exercise.</p>	<p>Complied. The announcement was made on 2 July 2003</p>
<p>16. The private placement must be carried out by an independent placement agent.</p>	<p>AmMerchant Bank was appointed as the placement agent on 18 April 2003</p>
<p>17. Detailed disclosure on the private placement is to be made in the Prospectus.</p>	<p>Complied. Disclosure has been made in Section 2.3 of the Prospectus</p>
<p>18. A final list of placees is to be furnished to the SC prior to the completion of the placement exercise and a written confirmation that the placement exercise is in full compliance with the requirements of the SC's Policies and Guidelines on Issue/Offer of Securities.</p>	<p>Will comply</p>

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
19. The placement agent/AmMerchant Bank must endeavour to allocate at least 30% of the shares under the placement exercise to Bumiputera investors. The placement agent/AmMerchant Bank will only be allowed to place less than 30% of the said placement shares to Bumiputera investors after furnishing to the SC a written confirmation from the placement agent/AmMerchant Bank that the placement agent/AmMerchant Bank has not been successful in placing to the requisite Bumiputera placees after exhausting all avenues	Will comply

Conditions Imposed By MITI	Status of Compliance
1. SHCB is to obtain approvals from SC and FIC	Complied. SHCB has obtained approvals from SC on 26 December 2002, 31 December 2002, 2 June 2003 and 30 June 2003 and from FIC on 26 December 2002 and 7 March 2003.

Conditions Imposed By FIC	Status of Compliance
1. Salcon is to meet at least 30% Bumiputera equity interest upon listing	FIC had, vide its letter dated 7 March 2003 approved an extension of time of two(2) years from the listing date of Salcon. The aforementioned is noted and will be complied.

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3. RISK FACTORS

In evaluating an investment in the Public Issue Shares and the Offer Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:

(i) Political, Economic, Regulatory and Environmental Considerations

Adverse developments in the political and economic conditions in Malaysia and in countries that the Salcon Group operates currently and in future could unfavourably affect the prospects of the Salcon Group. These include changes in government policies, laws and regulations, interest rates, foreign exchange rates, tax rates, tariffs and duties.

The Salcon Group has adopted a proactive approach in keeping abreast of political, economic and social developments of the countries it operates in including the setting up of local representative offices in major operational areas with experienced employees.

(ii) Business Risks

The Salcon Group is principally involved in the design, construction, commissioning, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities, design, construction and commissioning of palm oil mills, provision of mechanical and electrical engineering services and investment holding and is subject to certain business risks inherent in these industries. These include but are not limited to the possibility of not being able to secure future contracts, scarcity of trained and experienced engineering, technical and supporting personnel, unforeseen requirements or weakness in design due to human errors, limitations of computer software, information or technology availability, raw material shortages, increases in cost of labour and material cost, changes in general economic, business and credit conditions, the entry of new players, changes in technology in treating water and wastewater as well as processing of palm oil and changes in the legal framework within which the said sectors operate. The Group is also subject to credit risk as billings are made on a progressive basis upon the completion of progress works and subject to approval by the customer. The same risks are also applicable to all other players in the industries.

The Salcon Group seeks to limit these risks through, inter alia, constantly tendering and/or negotiating for contracts from both the public and private sectors in Malaysia and overseas (as elaborated in Section 4.10 of this Prospectus), nurturing and maintaining good business relationship with its customers and consultants, providing better incentives and benefits to motivate and retain staff, expansion of market share and increasing its customer base. The Group practices a stringent credit control mechanism, conducts research and development and establishes smart partnerships with foreign partners for product/design innovation and creativity to keep abreast with changes in the market and technology. The Group also maintains a reliable quality management system for its operations. To date, WED has achieved the ISO9001:2000 and ISO14001:1996 accreditation.

The Salcon Group's ability to manage business risks can be gauged from its ability to maintain its growth during the recent regional economic crisis as reflected in its audited accounts for last five financial years. In promoting good corporate governance practices, the Directors of Salcon have also proposed to set up a Risk Management Committee to inter-alia, identify and evaluate key risks and strategies to manage or mitigate such risks as well as internal controls procedures. Nevertheless, no assurance can be given that changes to any of these factors will not have a material adverse impact on the Group's business.

3. RISK FACTORS (Cont'd)

The Salcon Group's clients include the various state water authorities. Should any respective state government implement privatisation in the water sector, this will have an impact on the Salcon Group to varying degrees. However, privatisation can take on numerous forms including corporatisation. As such, if and when privatisation is implemented, its final form may offer additional business opportunities for the Salcon Group. The Salcon Group's O&M contract in the state of Negeri Sembilan is for ten(10) years and subject to the implementation of privatisation, in which case there may be further negotiation on the award. The Salcon Group has requested for adequate notice of any impending implementation of privatisation.

(iii) Competition

The Salcon Group faces competition from various quarters, which include private and public companies both in Malaysia and in the countries in which the Salcon Group operates. The Salcon Group has been in the industry for more than 28 years and is now an established name in the industry. The Salcon Group had gone through two major economic recessions. On the average, its turnover and profits have been on an increasing trend in spite of many new entrants to the market.

Whilst no assurance can be given that the Salcon Group will be able to maintain its market share in the future, the Salcon Group believes that with its present business and marketing strategies, resources and based on historical track record, the Salcon Group should be able to at least maintain its market share in the foreseeable future.

The Group has managed to mitigate this risk through joint ventures with local/foreign partners and believes that with its business and marketing strategies, resources and good track record, the Group is well poised to face new challenges in the industries in which it operates.

Whilst the Group will continue to take effective measures to remain competitive and maintain the Group's existing market position, no assurance can be given that the Salcon Group will be able to maintain its market share in the future.

(iv) Dependence on Key Personnel

The Salcon Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of the existing directors and senior management. The loss of certain key members of the board of directors and senior management team may affect the Salcon Group's ability to compete competitively in the various economic sectors in which the Salcon Group is involved. However, the Salcon Group has adequate competent personnel and a succession programme. The Salcon Group's future success will also depend upon its ability to continually attract and retain competent personnel. It is the Salcon Group's practice to retain the services of these directors and senior management whenever possible. To reward its employees and to retain them in the Salcon Group, various measures such as allocation of shares to the eligible directors and employees of the Salcon Group under the "Pink Form Allocation" and ESOS will be implemented.

(v) Dependence on Certain Customers/Contractors and Suppliers

The Salcon Group depends on businesses which are on project to project basis, which vary in value. Thus, the Salcon Group may have certain projects which may contribute significantly to its turnover and profit at certain time or period. Apart from the revenue generated from turnkey contracting, a portion of income also comes from O&M activities. Revenue from O&M activities are generated from SEB's venture in Malaysia and Vietnam which will ensure a steady stream of income for the next 9 and 16 years respectively. Based on the historical track record of the Group, the Group has been able to tender and procure new projects to maintain a healthy level of projects.

3. RISK FACTORS (Cont'd)

It is a policy of the Group to source its raw materials from a large panel of suppliers to prevent incidence of disruption of the supply of raw materials. Furthermore, this will give the Group greater bargaining strength and flexibility in price negotiations with its suppliers.

The Salcon Group is also not solely dependent on any major contractors/suppliers, as the Salcon Group has established a wide network of contractors/suppliers. Such network is established through long-term relationships with most of its contractors over the past few years and experience in the industry cultivated over time.

The Salcon Group also adopts various measures to minimise risk of over dependency on certain contractors by:

- a) Adopting an open tender system in selecting contractors. The selection is made after due consideration of their experience, track record and qualifications; and
- b) Ensuring that contractors are not awarded contracts beyond their capacity. Under such circumstances, the Salcon Group continuously reviews and evaluates the work in progress and the performance quality of each of the projects awarded to ensure timely completion of projects to the required quality.

(vi) Investment on Overseas Ventures

At present, SEB has a 40% shareholding in EUCSB, an associated company, which in turn holds 90% equity interest in BAWC. BAWC holds an investment license to supply treated water in bulk for a remaining period of approximately sixteen(16) years to Ho Chi Minh City. This investment would generate a steady stream of income to the Group as EUCSB has begun to register profits. Income from this investment is expected to be sustainable as BAWC's collection/revenue is guaranteed by the People's Committee of Ho Chi Minh City, the legislative body reporting directly to the Prime Minister's Department.

SEB also holds 49% shareholding in CCI, which in turn owns 94.8% of PTIL. PTIL is involved in the cultivation of oil palm, processing and marketing of palm oil in the states of Karnataka and Andhra Pradesh in India.

Both projects are subject to the normal risks that an O&M of water treatment plant or palm oil mill would be exposed to, including adverse weather conditions, possible disruption in electricity supply and the possible deterioration in the quality and quantity of raw water or palm oil fruits.

Both projects are also subject to the sovereign risks of the countries in which they operate. However, BAWC has been in operations for approximately four(4) years and has not experienced undue problems. The company has been registering profits, which is expected to continue.

However, there is no assurance that the profits are sustainable in the long term. In such instance, the cost of investment in the books of Salcon may be reduced accordingly.

(vii) Foreign Exchange Fluctuation

The Salcon Group's revenue from foreign operations and businesses and products or equipments used for building of water and wastewater treatment plants and palm oil mills are mainly denominated in USD, Indian Rupees, Thai Baht, Vietnamese Dong, Indonesian Rupiah, Euro and Yen.

3. RISK FACTORS (Cont'd)

The risk of foreign exchange fluctuation on USD has been limited since the imposition of capital control vis-à-vis a fixed exchange rate for Ringgit against USD (RM3.80 to USD1.00) in September 1998. However, no assurance can be given that the uplifting of the aforesaid capital control or a change in the aforesaid fixed exchange rate will not have material adverse effect on the Salcon Group's business. Notwithstanding the above, the Salcon Group manages foreign exchange risk in currencies other than USD, by hedging the relevant transactions.

(viii) Ownership and Control by Substantial Shareholders

Upon completion of the Restructuring Exercise, KEB, MASB and ETSB will own 36.9%, 23.2% and 14.4% of Salcon's enlarged issued and paid-up share capital of 191,262,502 Salcon Shares respectively. As a result, they would be able to influence the outcome of certain matters requiring the vote of the Salcon's shareholders, unless they are required to abstain from voting and deliberation by law and/or the relevant authorities.

(ix) Profit Estimate and Forecast

The consolidated profit estimate and forecast of the Salcon Group is based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Owing to the subjective judgments and inherent uncertainties of the estimate and forecast and given that events and circumstances frequently do not occur as expected, there can be no assurance that the financial estimate and forecast contained herein will be achieved and actual results may be materially different from those shown. Investors will be deemed to have read and understood the assumptions and the descriptions of uncertainties underlying the estimate and forecast contained herein.

(x) Disclosure regarding Forward Looking Statements

This Prospectus contains forward looking statements i.e. those other than statements of historical fact. Although the Salcon Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will materialise. Any deviation of the Salcon Group's actual performance from the expectations may or may not have an adverse effect on the Salcon Group's financial and business performance.

(xi) Investment Activities Risk

As at 15 July 2003, the Salcon Group is not involved in any material investment activities, save for investments in associated companies held for long term which is disclosed in Section 4.4.

The share of profits and dividends from its associated companies is dependent on their ability to maintain profitable operations. No assurance is given that its associated companies will continue to record profits nor it will sustain in the long term. In the event of losses suffered by its associated companies, the share of losses may or may not adversely affect the financial performance of the Salcon Group.

As a mitigating factor, the Board of Directors and the management would evaluate the Group's investments with due care prior to venturing into such exercise.

3. RISK FACTORS (Cont'd)**(xii) Financial Risks****Borrowings**

As at 15 July 2003, the Salcon Group has external borrowings amounting to approximately RM51 million. The Salcon Group anticipates further expansion in its businesses and a higher level of working capital. Some of the Salcon Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Salcon Group has borrowings and the payment of loan interest is dependent on the interest rate, future fluctuations of interest rates could have material effect on the Salcon Group's interest and principal repayments.

The borrowings of the Salcon Group for larger projects are on a project finance basis where interest and principal repayments are clearly matched by the revenue and payment stream generated by the respective projects.

The ability to access the equity markets upon listing will give the Salcon Group alternative resources to fund its growth and reduce its borrowing requirements.

Restrictive Covenants

Pursuant to credit facility agreements entered into by Salcon's subsidiaries with banks or financiers, they are bound by certain positive and negative covenants which may limit their operating and financial flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia and countries which the Salcon Group operates in. Any act by the Salcon Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/ or enforce any security granted in relation to that credit facility. The Board of Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

(xiii) Insurance Coverage on Assets

The Salcon Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Salcon Group reviews and ensures adequate coverage for its assets and development projects on a continuous basis.

For the Salcon Group's operations, all assets such as plants, machinery, inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(xiv) Dependence on Particular Markets and Geographical Locations

The Salcon Group currently undertakes projects in the water and wastewater industries in Malaysia, Vietnam and Thailand. However, besides Malaysia, the Salcon Group will not be overly dependent on any particular markets and geographical locations in the near future as the Salcon Group is progressively expanding into new markets throughout Asia.

(xv) Material Litigation

Save as disclosed in Section 14.7 of this Prospectus, Salcon and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of Salcon do not have any knowledge of any proceedings pending or threatened against Salcon and its subsidiary companies or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Salcon and its subsidiary companies.

3. RISK FACTORS (Cont'd)

(xvi) O&M Risks

The Salcon Group is also involved in the O&M of water treatment plants. The risks involved include the possible disruption of electricity supply, higher than projected increase in prices of chemicals, labour and other inputs required by the water treatment process, additional regulations imposed by the authorities and the possible deterioration in raw water supply. All these factors can result in higher operations costs should they occur. However, this is mitigated to a certain extent by "pass-through" formulas whereby the clients will compensate for the increase in costs.

(xvii) Quality of Treated Water

There is a risk that water leaving the treatment plant fails to meet the required standards. This risk is mitigated by:

- **Advanced Treatment Technology**

The Salcon Group has extensive experience in the water treatment process and utilises advanced and appropriate technologies to ensure that the water supplied to consumers meet the required standards and is capable of dealing with the irregularities of raw water supply.

- **Introduction of System Control and Data Acquisition ("SCADA") and Telemetry Systems**

SCADA and telemetry systems are utilised where appropriate to improve the monitoring of water supply facilities that are operated and maintained by the Salcon Group. These systems will enable on-time collection and reporting of various data and information of the water supply system and will thus facilitate necessary action in case of any shortcomings and deficiencies.

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4. INFORMATION ON THE SALCON GROUP

4.1 Incorporation

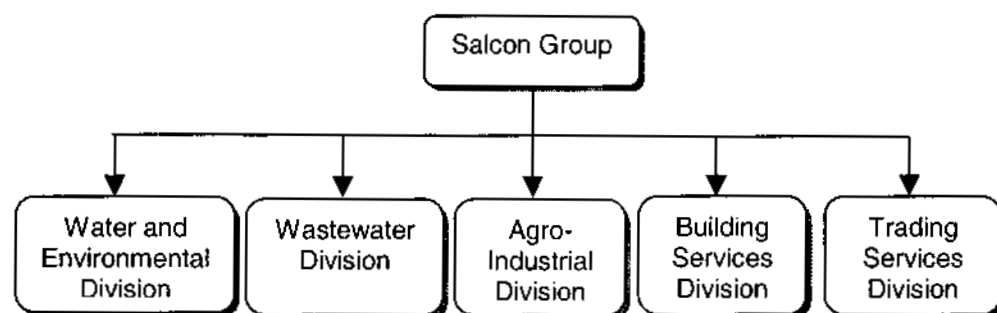
Salcon was incorporated in Malaysia under the Companies Act, 1965 on 25 September 2002 as a private limited company under the name of Salcon Sdn Bhd. Subsequently on 24 February 2003, it was converted to a public company and assumed its current name. Salcon is principally an investment holding company with a wholly-owned subsidiary, SEB, which has fourteen(14) subsidiaries and four(4) associated companies.

It was incorporated for the purpose of facilitating the completion of the Restructuring Exercise of SHCB which resulted in Salcon becoming the ultimate holding company of the Salcon Group and taking over the listing status of SHCB on the KLSE.

The Group's principal activities are:

- Design, construction, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities;
- Design, construction and commissioning of palm oil mills;
- Provision of M&E engineering services for general industries;
- Marketing, sales and servicing of equipment for water and palm oil mill industries; and
- Investment holding

The Salcon Group is organised around five(5) main strategic business units as illustrated below:



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4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.2 History of the Salcon Group**

The Group's business began in 1974 under SEB, constructing water treatment plants for palm oil mills, domestic water supply facilities for plantation workers and swimming pools. SEB was also engaged in the trading of engineering equipment for plantations and buildings.

Later, SEB undertook larger turnkey projects to build palm oil mills, water and wastewater treatment plants for the Public Works Department, various municipalities and agro-based industries. Since 1991, SEB has streamlined its activities and operations to focus on providing engineering services, operation, maintenance and investing in privatised projects in palm oil and water industry. In 1997, the Building Services Division was established to provide engineering services to other industries i.e. residential and commercial buildings. In March 2002, SEB expanded into the wastewater and sewage treatment industry with the acquisition of ESB. In its 29 years of business, the Salcon Group has successfully completed more than 450 water related and no less than 80 palm oil mill projects in Malaysia and abroad with a total value of around RM1 billion.

In the wastewater and sewage treatment industry, SEB, via its subsidiary ESB has completed more than 250 projects. ESB is recognised by clients both, in the private and public sectors, for its capabilities in this specialised field of engineering.

SEB's clients include the State Governments, privatised water concessionaires, municipalities, major plantation groups and major property developers.

4.3 Share Capital and Changes in Share Capital

The present authorised share capital of Salcon is RM500,000,000 comprising 1,000,000,000 Shares whilst its issued and paid-up share capital is RM81,031,251 comprising 162,062,502 Shares.

Details of the changes in the issued and paid-up share capital of the Company since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
25.9.2002	2	0.50	Subscribers' shares	1
21.7.2003	160,396,000	0.50	Issued pursuant to the Acquisition	80,198,001
24.7.2003	1,666,500	0.50	Issued pursuant to the Share Exchange and to the SHCB's creditors	81,031,251

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4 Subsidiary and Associated Companies of Salcon**

Details of the subsidiary company of Salcon are summarised below:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
SEB	3.4.1974 Malaysia	20,000,000	100.00	<ul style="list-style-type: none"> • Design, construction, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities; • Design, construction and commissioning of palm oil mills; • Provision of M&E engineering services for general industries; • Marketing, sales and servicing of equipment for water and palm oil mill industries; and • Investment holding

Details of the subsidiary companies of SEB are summarised below:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
SCESB	3.5.1979 Malaysia	3,000,000	100.00	Marketing, sales and servicing of equipment for water and palm oil industries
SBSSB	9.12.1980 Malaysia	1,400,000	100.00**	Provision of engineering services for general industries
SESSB	27.10.1992 Malaysia	500,000*	100.00	Operation and maintenance of water treatment plants
ESB	30.8.1984 Malaysia	3,500,000	60.00	Design, building, operation and maintenance of wastewater and sewerage treatment plants
IWSSB	4.7.1985 Malaysia	20,000	51.00	Operation and maintenance of water treatment plant
SRSB	12.9.1975 Malaysia	500,000	100.00	Property investment
BTESB	12.5.1980 Malaysia	1,700,000	100.00	Investment holding
PMSB	28.4.1983 Malaysia	200,000	100.00	Dormant

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
SASB	22.2.1992 Malaysia	2	100.00	Dormant
SCSB	26.7.1991 Malaysia	2	100.00	Dormant
SSSB	13.10.1999 Malaysia	2	100.00	Dormant
SKSB	28.5.1970 Malaysia	1,000,000	100.00**	Dormant
SWHK	23.4.2003 Hong Kong	HK\$2	100.00	Dormant
EMCCSB	13.5.1991 Malaysia	555,000	60.00**	Dormant

Notes:

* As at 31 January 2003, 500,000 shares were issued. However, the share capital was only paid up to RM250,001 (499,998 shares have been paid up to RM0.50 per share)

** Indirect interest through BTESB

Details of the associated companies of SEB are summarised below:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest (%)	Principal Activities
EUCSB	3.9.1987 Malaysia	RM2,000,000* RM47,000**	40.0	Investment holding company in respect of a water supply project in Vietnam
BAWC	15.3.1995 Vietnam	USD10,800,000	36.0	Production and supply of treated water to Ho Chi Minh City, Vietnam
CCI	25.6.1998 Republic of Mauritius	USD2,500	49.0	Investment holding
PTIL	6.4.1993 India	RS53,500,000^ RS137,898,400^^	46.4	Oil palm plantation development and manufacture and sale of crude oil palm oil and related products

Notes:

* Ordinary shares of RM1.00 each

** 5% Non-cumulative redeemable preference shares of RM1.00 each

^ 5,350,000 ordinary shares of RS10 each

^^ 1,378,984 6% cumulative redeemable preference shares of RS100 each

RS Indian Rupee

HK\$ Hong Kong Dollar

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.1 SEB****(a) History and Business Overview**

SEB was incorporated in Malaysia under the Companies Act 1965 on 3 April 1974, under the name Salcon Engineering Sdn Bhd. On 12 January 2001, it was converted into a public company and assumed its present name.

(b) Share Capital

SEB's present authorised share capital is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SEB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
03.04.1974	150,000	1.00	Cash	150,000
18.03.1977	45,000	1.00	Bonus issue 3 for 10	195,000
04.02.1978	105,000	1.00	Bonus issue 7 for 13	300,000
27.10.1978	100,000	1.00	Cash	400,000
16.07.1979	200,000	1.00	Bonus issue 1 for 2	600,000
16.07.1979	400,000	1.00	Cash	1,000,000
29.07.1983	4,000,000	1.00	Shares issued pursuant to acquisition of new subsidiary companies	5,000,000
31.07.1985	3,000,000	1.00	Bonus issue 3 for 5	8,000,000
29.03.1990	4,000,000	1.00	Cash	12,000,000
31.07.1990	8,000,000	1.00	Cash	20,000,000

(c) Substantial Shareholders

SEB is a wholly-owned subsidiary of Salcon. Substantial shareholders of SEB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003 SEB has 14 subsidiary companies and 4 associated companies. Details of all of SEB's subsidiary and associated companies are set out in Sections 4.4.2 to 4.4.19 of this Prospectus.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of the SEB Group.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.2 SCESB****(a) History and Business Overview**

SCESB was incorporated in Malaysia under the Companies Act 1965 on 3 May 1979, under the name Centrimax Engineering Sdn Bhd. On 14 July 1989, it assumed the present name.

The principal activities of SCESB consist of marketing, sales and servicing of equipment for water and palm oil industries. There have been no significant changes in the nature of these activities since the date of incorporation.

(b) Share Capital

SCESB's present authorised share capital is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SCESB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
03.05.79	2	1.00	Subscribers' shares	2
20.06.79	59,999	1.00	Cash	60,001
20.07.79	74,999	1.00	Cash	135,000
11.02.81	15,000	1.00	Cash	150,000
28.07.83	150,000	1.00	Cash	300,000
29.07.83	300,000	1.00	Cash	600,000
31.07.85	300,000	1.00	Cash	900,000
31.07.85	300,000	1.00	Bonus issue of 1 for 3	1,200,000
02.08.90	1,800,000	1.00	Cash	3,000,000

(c) Substantial Shareholders

SCESB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SCESB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SCESB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SCESB.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.3 SRSB****(a) History and Business Overview**

SRSB was incorporated in Malaysia under the Companies Act 1965 on 12 September 1975, under the name of Fatoils (Malaysia) Sdn Bhd. On 30 December 1997, it assumed its present name.

The principal activities of the company at the date of incorporation was purchasing and selling of palm oil. The company ceased trading in 1977. In 1984, the company recommenced operations in renting of property and the selling of oil palm related equipment and spares. From 1990, the company's sole activity was on rental of property before becoming dormant in 1993. The company resumed operations during the financial year ended 2000 in property investment.

(b) Share Capital

SRSB's present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SRSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
12.09.1975	2	1.00	Subscribers' shares	2
05.01.1983	19,998	1.00	Cash	20,000
01.08.1983	480,000	1.00	Capitalisation of balance due to SCESB	500,000

(c) Substantial Shareholders

SRSB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SRSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SRSB.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.4 SBSSB****(a) History and Business Overview**

SBSSB was incorporated in Malaysia under the Companies Act 1965 on 9 December 1980, under the name Conwall Sdn Bhd and subsequently, on 25 October 1983, it changed its name to Salcon Construction Sdn Bhd. On 11 September 2000, it assumed its present name.

The principal activity of SBSSB at the date of incorporation was to carry on business as building contractors. In 1991, SBSSB scaled down its activities and subsequently became dormant since 1994. During the financial year ended 31 July 2002, SBSSB resumed operations. SBSSB is currently principally involved in the provision of engineering services for general industries.

(b) Share Capital

SBSSB's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,400,000 comprising 1,400,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SBSSB since its incorporation up to 15 July 2003 are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
09.12.80	2	1.00	Subscribers' shares	2
09.04.81	9,998	1.00	Cash	10,000
27.10.83	990,000	1.00	Cash	1,000,000
20.04.84	400,000	1.00	Cash	1,400,000

(c) Substantial Shareholders

SBSSB is a wholly-owned subsidiary of BTESB, which in turn, is also a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SBSSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at the 15 July 2003, SBSSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SBSSB.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.5 ESB****(a) History and Business Overview**

ESB was incorporated in Malaysia under the Companies Act 1965 on 30 August 1984.

The principal activities of ESB are that of design, building, operation and maintenance of wastewater and sewerage treatment plants.

(b) Share Capital

ESB's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM3,500,000 comprising 3,500,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of ESB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
30.08.84	2	1.00	Cash	2
17.11.84	132,498	1.00	Cash	132,500
10.07.85	47,500	1.00	Cash	180,000
15.07.85	70,000	1.00	Cash	250,000
27.12.89	250,000	1.00	Cash	500,000
18.05.91	40,000	1.00	Shares in Hazen Trading Water Treatment Sdn Bhd	540,000
14.02.92	110,000	1.00	Shares in Hazen Trading Water Treatment Sdn Bhd	650,000
10.12.93	520,000	1.00	Bonus issue of 8 for 10	1,170,000
03.10.95	130,000	1.00	Cash	1,300,000
01.09.99	1,300,000	1.00	Bonus issue of 1 for 1	2,600,000
06.12.01	900,000	1.00	Cash	3,500,000

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of ESB as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEB	2,100,000	60.00	-	-
Lee Thim Loy	637,000	18.20	-	-
Low Ah Chye @ Low Beng Peow	637,000	18.20	-	-
Salcon	-	-	[^] 2,100,000	60.00
KEB	-	-	[*] 2,100,000	60.00
MASB	-	-	[@] 2,100,000	60.00
ETSB	-	-	[#] 2,100,000	60.00
Tan Sri Razali bin Ismail	-	-	[@] 2,100,000	60.00
Abdul Nasir bin Adnan	-	-	[#] 2,100,000	60.00
Dato' Lim See Teok	-	-	[#] 2,100,000	60.00
Jaggit Singh a/l Tara Singh	-	-	[#] 2,100,000	60.00

Notes:

[^] Deemed interested by virtue of being the holding company of SEB

^{*} Deemed interested by virtue of their substantial shareholdings in Salcon

[@] Deemed interested by virtue of their substantial shareholdings in MASB

[#] Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003, ESB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of ESB.

4.4.6 IWSSB**(a) History and Business Overview**

IWSSB was incorporated in Malaysia under the Companies Act 1965 on 4 July 1985 under the name Sunrise Management Sdn Bhd. Subsequently on 10 April 1986, it assumed its present name.

The principal activities of IWSSB are the operation and maintenance of a water treatment plant.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**(b) Share Capital**

IWSSB's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 whilst its issued and paid-up share capital is RM20,000 comprising 20,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of IWSSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
22.07.85	2	1.00	Subscribers'shares	2
12.04.00	19,998	1.00	Cash	20,000

(c) Substantial Shareholders

The substantial shareholders of IWSSB as at the 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEB	10,200	51.00	-	-
IJM Construction Sdn Bhd	7,000	35.00	-	-
Segidual Systems Sdn Bhd	2,800	14.00	-	-
Salcon	-	-	*10,200	51.00
KEB	-	-	**10,200	51.00
MASB	-	-	**10,200	51.00
ETSB	-	-	**10,200	51.00
Dato' Lim See Teok	-	-	^13,000	65.00
Jaggit Singh A.L Tara Singh	-	-	^13,000	65.00
Cheok Yeow Kwang @ Chok Ah Soi	-	-	# 2,800	14.00
Tan Sri Razali Bin Ismail	-	-	@10,200	51.00
Abdul Nasir Bin Adnan	-	-	@10,200	51.00

Notes:

* Deemed interested by virtue of being the holding company of SEB

** Deemed interested by virtue of their substantial shareholdings in Salcon

^ Deemed interested by virtue of their substantial shareholdings in ETSB and Segidual Systems Sdn Bhd

Deemed interested by virtue of his substantial shareholdings in Segidual Systems Sdn Bhd

@ Deemed interested by virtue of their substantial shareholdings in MASB

(d) Subsidiary and Associated Companies

As 15 July 2003 IWSSB has no subsidiary or associated companies.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**(e) Profit and Dividend Track Record**

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of IWSSB.

4.4.7 PMSB**(a) History and Business Overview**

PMSB was incorporated in Malaysia under the Companies Act 1965 on 28 April 1983.

The company has been dormant since 2001. Previously, its principal activities were in the supply of hardware and machinery as well as in the contracting for water supply related projects.

(b) Share Capital

PMSB's present authorised share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of PMSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
28.04.83	2	1.00	Subscribers'shares	2
08.03.84	199,998	1.00	Cash	200,000

(c) Substantial Shareholders

PMSB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of PMSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, PMSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of PMSB.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.8 BTESB****(a) History and Business Overview**

BTESB was incorporated in Malaysia under the Companies Act 1965 on 12 May 1980.

The principal activity of BTESB is that of an investment holding company. From 1998 to 2000, the company was involved in the business of contracting for water supply related projects.

(b) Share Capital

BTESB's present authorised share capital is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,700,000 comprising 1,700,000 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of BTESB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
12.05.80	3	1.00	Subscribers'shares	3
26.05.80	99,997	1.00	Cash	100,000
29.10.80	150,000	1.00	Cash	250,000
10.07.85	944,859	1.00	Cash	1,194,859
11.07.85	500,000	1.00	Bonus issue	1,694,859
07.08.85	5,141	1.00	Cash	1,700,000

(c) Substantial Shareholders

BTESB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of BTESB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, BTESB has three(3) subsidiary companies, namely SBSSB, SKSB and EMCCSB and has no associated companies. For details of the subsidiary companies, please refer to Sections 4.4.4, 4.4.13 and 4.4.14 of this Prospectus.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of BTESB.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.9 SASB****(a) History and Business Overview**

SASB was incorporated in Malaysia under the Companies Act 1965 on 22 February 1992 under the name Goodsrade Sdn Bhd. Subsequently on 29 June 1995, it assumed its present name. SASB is currently dormant.

(b) Share Capital

SASB's present authorised share capital is RM25,000 comprising 25,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SASB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
22.02.92	2	1.00	Subscribers' shares	2

(c) Substantial Shareholders

SASB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SASB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003 SASB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SASB.

4.4.10 SCSB**(a) History and Business Overview**

SCSB was incorporated in Malaysia under the Companies Act 1965 on 26 July 1991, under the name Kanning Industries Sdn Bhd. On 27 January 1992, it assumed its present name.

SCSB is currently dormant.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**(b) Share Capital**

SCSB's present authorised share capital is RM25,000 comprising 25,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00 each.

The changes in the issued and paid-up share capital of SCSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
26.07.91	2	1.00	Subscribers' Shares	2

(c) Substantial Shareholders

SCSB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SCSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SCSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SCSB.

4.4.11 SESSB**(a) History and Business Overview**

SESSB was incorporated in Malaysia on 27 October 1992 under the Companies Act, 1965 under the name of Fine Density Sdn Bhd. Subsequently on 13 January 1993, it changed its name to IKG-Salcon Sdn. Bhd. before assuming its present name on 29 July 2002. It was principally involved in the trading and contracting of steel gratings and other types of floor gratings. It became dormant in 1997 and recommenced operations on 1 October 2002.

The current principal activities of SESSB consist of operation and maintenance of water treatment plant.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**(b) Share Capital**

SESSB's present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each and whilst its issued share capital is 500,000 ordinary shares of RM1.00 each, its paid-up share capital is RM250,001.

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
27.10.1992	2	1.00	Subscribers shares'	2
17.12.1992	499,998	1.00	Cash (paid up to RM249,999)	250,001

(c) Substantial Shareholders

SESSB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SESSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SESSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SESSB.

4.4.12 SSSB**(a) History and Business Overview**

SSSB was incorporated in Malaysia under the Companies Act 1965 on 13 October 1999, under the name Gateway Explorer Sdn Bhd. On 25 January 2000, it assumed its present name.

SSSB has not commenced operations since the date of incorporation.

(b) Share Capital

SSSB's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 whilst its issued and paid-up share capital is RM2 comprising 2 ordinary shares of RM1.00.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

The changes in the issued and paid-up share capital of SSSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
13.10.99	2	1.00	Subscribers' shares	2

(c) Substantial Shareholders

SSSB is a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SSSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SSSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SSSB.

4.4.13 SKSB**(a) History and Business Overview**

SKSB was incorporated in Malaysia under the Companies Act 1965 on 28 May 1970, under the name Gamma Engineering Sendirian Berhad and subsequently on 3 July 1972, it changed its name to Siew Engineering Sendirian Berhad. On 3 January 1980, it assumed its present name.

The principal activities of SKSB at the date of incorporation consisted of fabrication of steel structures, frames and mechanical parts and other works of an engineering nature. In 1991, SKSB scaled down its activities by transferring most of its activities to SEB and remained dormant till now.

(b) Share Capital

SKSB's present authorised share capital is RM3,000,000 comprising 3,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

The changes in the issued and paid-up share capital of SKSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
28.05.70	2	1.00	Subscribers'shares	2
14.12.70	30,000	1.00	Cash	30,002
19.02.74	20,000	1.00	Cash	50,002
20.05.75	10,000	1.00	Cash	60,002
20.08.75	10,000	1.00	Cash	70,002
16.02.77	1,998	1.00	Cash	72,000
07.01.80	53,000	1.00	Bonus issue	125,000
04.05.81	115,000	1.00	Bonus issue	240,000
20.05.85	760,000	1.00	Cash	1,000,000

(c) Substantial Shareholders

SKSB is a wholly-owned subsidiary of BTESB, which in turn, is also a wholly-owned subsidiary of SEB. SEB is a wholly-owned subsidiary of Salcon. Therefore, the substantial shareholders of SKSB reflect that of Salcon's.

(d) Subsidiary and Associated Companies

As at 15 July 2003, SKSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of SKSB.

4.4.14 EMCCSB**(a) History and Business Overview**

EMCCSB was incorporated in Malaysia under the Companies Act 1965 on 13 May 1991.

The principal activities of EMCCSB consisted of providing metal spraying and coating services. In 1993, EMCCSB scaled down its activities and remained dormant till now.

(b) Share Capital

EMCCSB's present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each whilst its issued and paid-up share capital is RM555,000 comprising 555,000 ordinary shares of RM1.00 each.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

The changes in the issued and paid-up share capital of EMCCSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
13.05.91	2	1.00	Subscribers' shares	2
09.08.91	332,998	1.00	Cash	333,000
09.08.91	222,000	1.00	Capitalisation of balance due to supplier of equipment	555,000

(c) Substantial Shareholders

The substantial shareholders of EMCCSB as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
BTESB	333,000	60.00	-	-
Kevin Douglas Moore	119,325	21.50	-	-
James L. Yule	61,050	11.00	-	-
Stephen Robert Isom	41,625	7.50	-	-
SEB	-	-	#333,000	60.00
Salcon	-	-	*333,000	60.00
KEB	-	-	**333,000	60.00
MASB	-	-	**333,000	60.00
ETSB	-	-	**333,000	60.00
Tan Sri Razali Bin Ismail	-	-	@333,000	60.00
Abdul Nasir Bin Adnan	-	-	@333,000	60.00
Dato' Lim See Teok	-	-	^333,000	60.00
Jaggit Singh A/L Tara Singh	-	-	^333,000	60.00

Notes:

- # Deemed interested by virtue of being the holding company of BTESB
 * Deemed interested by virtue of being the holding company of SEB
 ** Deemed interested by virtue of their substantial shareholdings in Salcon
 @ Deemed interested by virtue of their substantial shareholdings in MASB
 ^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003 EMCCSB has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of EMCCSB.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.15 SWHK****(a) History and Business Overview**

SWHK was incorporated on 23 April 2003 in Hong Kong under the Companies Ordinance (Chapter 32). It is currently dormant.

(b) Share Capital

SWHK's present authorised share capital is HK\$10,000 comprising 10,000 shares of HK\$1.00 each whilst its issued and paid-up share capital is HK\$2 comprising 2 shares of HK\$1.00 each.

The changes in the issued and paid-up share capital of SWHK since its incorporation are as follows:

Date of Allotment	No. Of Shares Allotted	Par Value HK\$	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital HK\$
23.4.03	2	1	Cash	2

(c) Substantial Shareholders

The substantial shareholders of SWHK as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEB	1	50	-	-
Lim Chee Khang	#1	50	-	-
KEB	-	-	*2	100
MASB	-	-	*2	100
ETSB	-	-	*2	100
Tan Sri Razali Bin Ismail	-	-	@2	100
Abdul Nasir Bin Adnan	-	-	@2	100
Dato' Lim See Teok	-	-	^2	100
Jaggit Singh A/L Tara Singh	-	-	^2	100

Notes:

Held in trust for SEB

* Deemed interested by virtue of their substantial shareholdings in Salcon

@ Deemed interested by virtue of their substantial shareholdings in MASB

^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003, SWHK has no subsidiary or associated company.

(e) Profit and Dividend Track Record

As SWHK was only incorporated on 23 April 2003, it does not have any profit and dividend track record.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**4.4.16 EUCSB****(a) History and Business**

EUCSB was incorporated in Malaysia under the Companies Act 1965 on 3 September 1987 as a private limited company.

The principal activity of EUCSB is investing in a subsidiary company which undertakes on a build-operate-transfer basis, the development of a water treatment plant in Ho Chi Minh City, Vietnam.

The subsidiary company (90% owned by EUCSB) is BAWC. Please refer to Section 4.4.16 for information on BAWC.

(b) Share Capital

EUCSB's present authorised share capital is RM3,000,000 comprising 2,000,000 ordinary shares of RM1.00 each and 1,000,000 5% non-cumulative redeemable preference shares of RM1.00 each. Its issued and paid-up share capital is RM2,047,000 comprising 2,000,000 ordinary shares of RM1.00 each and 47,000 5% non-cumulative redeemable preference shares of RM1.00 each.

The changes in the issued and paid-up share capital of EUCSB since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RM	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RM
Ordinary Shares				
03.09.87	2	1.00	Subscribers' shares	2
22.05.91	18	1.00	Cash	20
15.11.93	499,980	1.00	Cash	500,000
03.05.94	750,000	1.00	Cash	1,250,000
12.12.94	375,000	1.00	Cash	1,625,000
23.01.95	375,000	1.00	Cash	2,000,000
5% Non-Cumulative Redeemable Preference Shares				
28.12.98	47,000	1.00	Cash	2,047,000

(c) Substantial Shareholders

The substantial shareholders of EUCSB as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEB	800,000	40.0	-	-
IJM Corporation Berhad	800,000	40.0	-	-
Malaysian South-South Corporation Berhad	400,000	20.0	-	-
Salcon	-	-	*800,000	40.00
KEB	-	-	**800,000	40.00
ETSB	-	-	**800,000	40.00
MASB	-	-	**800,000	40.00
Tan Sri Razali Bin Ismail	-	-	@800,000	40.00

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Abdul Nasir Bin Adnan	-	-	@800,000	40.00
Dato' Lim See Teok	-	-	^800,000	40.00
Jaggit Singh A/L Tara Singh	-	-	^800,000	40.00

Notes:

- * Deemed interested by virtue of being the holding company of SEB
- ** Deemed interested by virtue of their substantial shareholdings in Salcon
- @ Deemed interested by virtue of their substantial shareholdings in MASB
- ^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003 EUCSB has one(1) subsidiary company, BAWC and has no associated companies. For details of the subsidiary company, please refer to Section 4.4.16 of this Prospectus.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of EUCSB.

4.4.17 BAWC**(a) History and Business**

BAWC was incorporated in Binh Duong Province, the Socialist Republic of Vietnam. Investment License No. 1170.GP dated 15 March 1995 issued by the State Committee for Co-operation and Investment.

The principal activity of BAWC is to implement on a BOT basis, a water treatment facility capable of supplying Ho Chi Minh City and the neighbouring industrial zones with 100,000 cubic metres of treated water per day. The duration of the operations concession is for 20 years commencing from the first year of commercial production of treated water.

The construction of the plant was completed during the financial year ended 1999 and it commenced the supply of treated water on 1 August 1999.

(b) Share Capital

BAWC's present total investment capital or authorised share capital in the Malaysian context is USD35,800,000, whilst its paid legal capital is USD10,800,000.

In the original investment license number 1170/GP dated 15 March 1998, the legal capital is USD10,520,000. The legal capital was increased to USD10,800,000 pursuant to investment license number 1170/GPDCI dated 5 January 1998.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of BAWC as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
EUCSB	9,720,000	90.0	-	-
Sadec Malaysian Consortium Sdn. Bhd.	1,080,000	10.0	-	-
SEB	-	-	*9,720,000	90.00
Salcon	-	-	#9,720,000	90.00
KEB	-	-	**9,720,000	90.00
MASB	-	-	**9,720,000	90.00
ETSB	-	-	**9,720,000	90.00
Tan Sri Razali Bin Ismail	-	-	@9,720,000	90.00
Abdul Nasir Bin Adnan	-	-	@9,720,000	90.00
Dato' Lim See Teok	-	-	^9,720,000	90.00
Jaggit Singh A/L Tara Singh	-	-	^9,720,000	90.00

Notes:

- * Deemed interested by virtue of its substantial shareholdings in EUCSB
- # Deemed interested by virtue of being the holding company of SEB
- ** Deemed interested by virtue of their substantial shareholdings in Salcon
- @ Deemed interested by virtue of their substantial shareholdings in MASB
- ^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003, BAWC has no subsidiary or associated companies.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of BAWC.

4.4.18 CCI**(a) History and Business Overview**

CCI was incorporated in the Republic of Mauritius on 25 June 1998. Its principal activity is investment holding.

(b) Share Capital

CCI's present authorised share capital is USD100,000 comprising 100,000 ordinary shares of USD1.00 each whilst its issued and paid-up share capital is USD2,500 comprising 2,500 ordinary shares of USD1.00 each.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

The changes in the issued and paid-up share capital of CCI since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value USD	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital USD
23.06.1998	2	1.00	Subscribers' shares	2
01.04.1999	98	1.00	Cash	100
05.12.2002	2,400	1.00	Cash	2,500

(c) Substantial Shareholders

The substantial shareholders of CCI as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
SEB	1,225	49.00	-	-
KEB	1,275	51.00	*1,225	49.00
Salcon	-	-	**1,225	49.00
ETSB	-	-	*1,225	49.00
MASB	-	-	*1,225	49.00
Tan Sri Razali Bin Ismail	-	-	@1,225	49.00
Abdul Nasir Bin Adnan	-	-	@1,225	49.00
Dato' Lim See Teok	-	-	^1,225	49.00
Jaggit Singh A/L Tara Singh	-	-	^1,225	49.00

Notes:

- * Deemed interested by virtue of their substantial shareholdings in Salcon
- ** Deemed interested by virtue of being the holding company of SEB
- @ Deemed interested by virtue of their substantial shareholdings in MASB
- ^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003, CCI has a subsidiary, PTIL as set out in Section 4.4.19 of this Prospectus. It has no associated company.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of CCI.

4.4.19 PTIL**(a) History and Business Overview**

PTIL was incorporated on 6 April 1993 in India. The principal activities of the company are to provide agricultural advisory service to promote and develop palm oil as well as processing and marketing of palm oil products such as crude palm oil and palm kernel in India.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

PTIL extended its financial year end from 31 March to 31 July during the financial period commencing from 1 April 1998 in order to be co-terminous with KEB, the holding company's financial year end.

PTIL commenced its commercial production of palm oil on 1 March 2000. There were no changes in the principal activities since the date of incorporation.

(b) Share Capital

PTIL's present authorised share capital is RS60,000,000 comprising 6,000,000 ordinary shares of RS10.00 each and RS190,000,000 comprising 1,900,000 6% cumulative redeemable preference shares of RS100.00 each whilst its issued and paid-up ordinary share capital is RS53,500,000 comprising 5,350,000 ordinary shares of RS10.00 each and RS137,898,400 comprising 1,378,984 6% cumulative redeemable preference shares of RS100.00 each.

The changes in the issued and paid-up share capital of PTIL since its incorporation are as follows:

Date of Allotment	No. Of Ordinary Shares Allotted	Par Value RS	Type of Issue/ Consideration	Total Issued And Paid-up Share Capital RS
Ordinary Shares				
05.05.93	7	10	Cash	70
25.03.96	2,999,993	10	Cash	30,000,000
19.03.98	2,350,000	10	Cash	53,500,000
Preference Shares				
19.03.98	80,000	100	Cash	8,000,000
04.08.98	20,000	100	Cash	10,000,000
15.09.98	50,000	100	Cash	15,000,000
28.09.98	55,000	100	Cash	20,500,000
16.10.98	339,950	100	Cash	54,495,000
02.12.98	82,000	100	Cash	62,695,000
02.12.98	335,000	100	Cash	96,195,000
15.11.99	347,724	100	Cash	130,967,400
03.01.00	404,310	100	Cash	171,398,400
29.03.00	(335,000)	100	Cash	137,898,400

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4. INFORMATION ON THE SALCON GROUP (Cont'd)**(c) Substantial Shareholders**

The substantial shareholders of PTIL as at 15 July 2003 are as follows:

Name of shareholders	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
CCI	5,071,293	94.79	-	-
SEB	-	-	*5,071,293	94.79
Salcon	-	-	#5,071,293	94.79
KEB	-	-	**5,071,293	94.79
MASB	-	-	**5,071,293	94.79
ETSB	-	-	**5,071,293	94.79
Tan Sri Razali Bin Ismail	-	-	@5,071,293	94.79
Abdul Nasir Bin Adnan	-	-	@5,071,293	94.79
Dato' Lim See Teok	-	-	^5,071,293	94.79
Jaggit Singh A/L Tara Singh	-	-	^5,071,293	94.79

Notes:

- * Deemed interested by virtue of its substantial shareholdings in CCI
- # Deemed interested by virtue of being the holding company of SEB
- ** Deemed interested by virtue of their substantial shareholdings in Salcon
- @ Deemed interested by virtue of their substantial shareholdings in MASB
- ^ Deemed interested by virtue of their substantial shareholdings in ETSB

(d) Subsidiary and Associated Companies

As at 15 July 2003, PTIL has no subsidiary or associated company.

(e) Profit and Dividend Track Record

Please refer to the Accountants' Report in Section 12 of this Prospectus for the profit and dividend track record of PTIL.

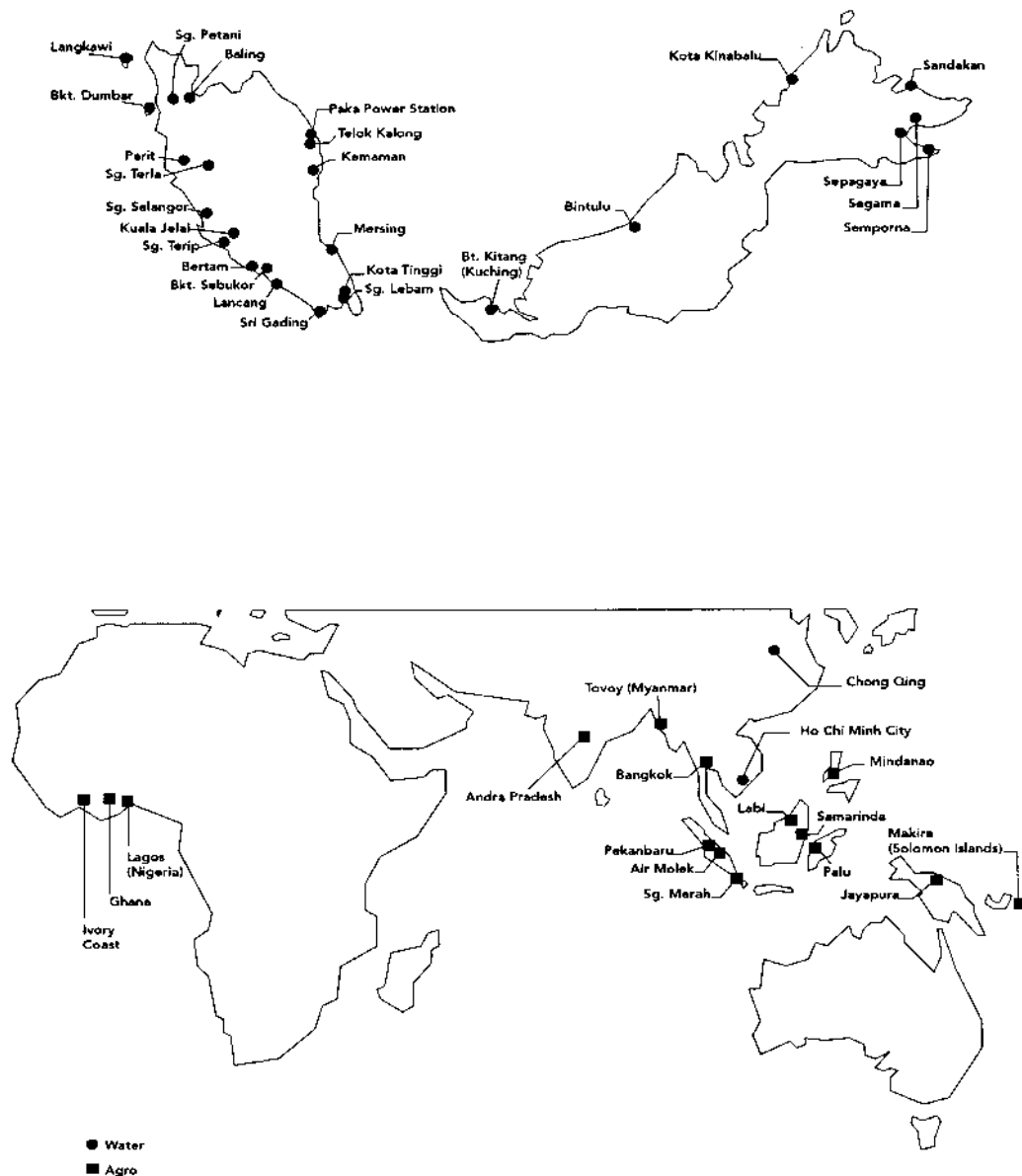
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4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.5 Business Overview and Activities

The Salcon Group is organised around five main strategic business units ("SBUs"). The first of these is the Water and Environmental Division ("WED"), which focuses on the water industry. WED is the Salcon Group's main business activity providing more than 50% of the Group's profits and turnover. The second is the Wastewater Division ("WWD"), providing turnkey and specialist engineering services for wastewater and sewage treatment plants. The third is the Agro-Industrial Division ("AID"), the SEB Group's palm oil mill contractor. The remaining business units of the Salcon Group are the Building Services Division ("BSD") and the Trading Services Division ("TSD").

Together, these five SBUs form the Salcon Group, a group developed over three(3) decades and which had managed to expand its business internationally. The Salcon Group has undertaken projects and operations in a number of countries, as illustrated in the map below.



4. INFORMATION ON THE SALCON GROUP (Cont'd)**(A) Water and Environmental Division ("WED")**

From being a contractor of water treatment plants for palm oil mills, the Salcon Group through the WED has developed into one of the leading water engineering companies in Malaysia. WED has capabilities not only in the design, construction and commissioning of water production facilities but also in O&M of water treatment plants as well as in the area of non-revenue water ("NRW") works. WED is able to undertake local and overseas water privatisation projects and provide telemetry systems as well as installation of supervisory control and data acquisition ("SCADA") products.

WED is positioned to capture the opportunities available in the expanding water production and distribution industry. As an end-to-end water engineering company, the Salcon Group provides a comprehensive range of products and services to meet the needs of the expanding water production and distribution industry. Specialised knowledge in M&E engineering, technical know-how and an established track record with clients and the relevant authorities are among the capabilities gained through more than two decades of industry experience.

The Salcon Group has a number of notable achievements. For instance, in 1995 the Salcon Group successfully completed one of the largest sludge dewatering plant in Malaysia for the Public Utilities Board of Singapore. It is also a consortium member that successfully undertook the first water privatisation project in Vietnam. The Binh An Water Supply Scheme with a total project value of approximately USD35.8 million, supplies 100 Mld of potable water a day to Ho Chi Minh City and its environs for a concession period of 20 years. In the concession, the Salcon Group was involved as an investor, turnkey contractor and O&M operator. The major projects undertaken and executed by the Salcon Group include:

	Project Status	Plant Capacity (Mld)
Lancang Treatment Works and Bulk Transfer (Package B), Melaka ¹	Under Construction	55
Kuala Jelai Water Supply Project (Phase 2), Negeri Sembilan ²	Completed in year 2002	45
Sungai Terip Water Treatment Plant (Phase III), Negeri Sembilan ³	Completed in year 2002	136
Privatisation of Binh An Water Supply Project Ho Chi Minh City, Vietnam	Completed in year 1999	100
BOT privatisation of the Greater Ipoh Water Supply Scheme (Phase II), Perak	Completed between 1991 to 1997	273
Johor Bahru Water Supply Privatisation Project – Stage 3, Johor ⁴	Under Construction	159
Sungai Selangor Water Supply Project, Phase 2, Stage 1, Selangor (chemical and filtration plant)	Completed in year 1998	475
Construction of Min Buri water distribution pumping station and related works, Bangkok, Thailand.	Under Construction	180
Hilir Perak Water Treatment Plant, Perak ⁵	Under Construction	106

4. INFORMATION ON THE SALCON GROUP (Cont'd)*Notes:*

1. *Contract no.: PAM.KON.P&K.23-2001*
2. *Contract no.: JBA.NEG.NS.1.2000*
3. *Contract no.: JBA.NEG.NS.6.2000*
4. *Contract no.: CONT.C45.SAL.LA.005, Contract no.: CONT.C46.SAL.LA.006*
5. *Contract no.: LAP.06.001.2002(P)*

The Salcon Group sees more opportunities available to its WED as the global and Malaysian economy grows. With growth in the economy comes an increase in demand for water by the residential, commercial and industrial sectors. The Salcon Group's unblemished project completion record and experience would be invaluable in capturing this growing market opportunity.

The Salcon Group has been successful in 2001 in securing the first construction project in Thailand, which is known as the Min Buri water distribution, pumping station, furnishing, installation of pumping equipment and power substation and related works. The Salcon Group has also secured four projects in Johor, Melaka and Perak early last year.

Salcon has in the first half of 2003 successfully tendered for more projects, both locally and internationally. Among others are the construction of the Kepong II Water Treatment Plant in Terengganu, the O&M contract for the Sg. Terip plant in Negeri Sembilan, the Non-Revenue Water Management project in Sandakan, Sabah and the construction of raw water pumping station and installation of trunk mains in two(2) separate projects in Thailand.

(B) Wastewater Division ("WWD")

The Salcon Group's expansion in the wastewater and sewage treatment industry started with the acquisition of ESB to form the WWD. A subsidiary of SEB, ESB is principally involved in providing turnkey and specialist engineering services for the design, supply, construction, installation, testing and commissioning of various types of sewage treatment plants. Technical competency is a key competitive advantage of WWD providing it with the ability to propose appropriate technical solution to match clients' needs. This advantage enabled WWD to provide its services to a spectrum of the wastewater market including Indah Water Konsortium ("IWK"), government municipalities, the Sewerage Services Department, major private property developers and wastewater treatment projects funded by international loans.

The prospects for this industry are bright. The industry's highly specialised engineering requirements with a limited number of players provides a barrier for new entrants. As with the water industry, the need for wastewater treatment plants grows with that of the economy and living standards. The Malaysian government too has been allocating more resources to develop wastewater treatment facilities. Under the Eighth Malaysia Plan, allocation for sewage treatment works is RM1.6 billion. As a Malaysian based company, ESB with its experience plays an active role in providing wastewater and sewage treatment plants.

(C) Agro-Industrial Division ("AID")

The AID is involved in the design, construction and commissioning of palm oil mills. At present, the Salcon Group regards itself as an established palm oil mill consultant and turnkey contractor both domestically and internationally.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

To date, the Salcon Group has successfully completed no less than 80 palm oil mill projects worldwide including kernel crushers in Thailand, Indonesia, Philippines, India, Papua New Guinea, Ghana, Africa, Myanmar, Ivory Coast, Nigeria, Solomon Islands and Latin America.

The AID's accomplishments in this sector include completing a turnkey palm oil mill project in India in 13 months, in comparison to the normal completion period of 16-18 months. It had also completed, on a turnkey basis, one of the largest palm oil mills (80 tonnes FFB per hour) in Sabah, Malaysia in 1998.

(D) Building Services Division ("BSD")

The principal activities of the BSD are the provision of M&E engineering services for high rise office and residential towers, hotels and shopping malls, factories and tunnels.

It undertakes project management, maintenance services, co-ordinating and planning the implementation of projects as well as site management. In undertaking the above, it is able to provide the design, supply, delivery, installation and commissioning of various component systems including the fire protection, air conditioning and ventilation, telecommunication, plumbing and liquefied petroleum systems as well the installation of pumps and motors.

(E) Trading Services Division ("TSD")

This division is represented by SCESB, a wholly-owned subsidiary of SEB which provides equipment to the water and palm oil mill industries including metering pumps, steam turbines, heat exchangers, vacuum ejectors and valves. Its other activities besides sales and marketing of the above, include after-sales service, repair, design, fabrication and installation of the equipment.

A description of the Salcon Group's completed major projects in the past five(5) years is set out below:

Name of Project	Project Owner	Type of Project	Commencement Date	Completion Date
Contract value < RM10 million				
Upgrading Water Supply-Baling District	Emas Utilities Corporation Sdn Bhd	Water Treatment Plant Project	15.01.1997	20.02.2001
Supply of valves and fittings-Binh An-Contract 2	BAWC	Water Treatment Plant Project	01.11.1997	18.08.1998
Erection for Binh An-Contract 10	BAWC	Water Treatment Plant Project	01.11.1997	30.06.1999
Sungai Lakitan Palm Oil Mill	PT London Sumatra	Palm Oil Mill Project	20.09.1999	28.04.2001
Glomax Land Sdn Bhd-Sungai Buloh Phase 2 & 3	Glomac Enterprises/ Glomac Land Sdn Bhd	Sewage Treatment Plant	01.01.2002	31.08.2002
Lahad Datu Water Supply-Segama	Pekah Sdn Bhd	Water Treatment Plant Project	04.09.1997	29.12.1999

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Name of Project	Project Owner	Type of Project	Commencement Date	Completion Date
Lahad Datu Water Supply-Semporna	Pekah Sdn Bhd	Water Treatment Plant Project	15.05.1997	30.09.1999
Gunung Kombeng Palm Oil Mill	PT Matrasawit	Palm Oil Mill Project	30.09.2000	02.03.2002
Erection of Pumping Plant-Sungai Sayong	Syarikat Air Johor	Water Treatment Plant Project	11.12.1995	23.12.1998
Lahad Datu Water Supply-Sepagaya	Pekah Sdn Bhd	Water Treatment Plant Project	02.012.1996	30.09.1999
SEB/IJM Corporation Berhad Joint Venture	Emas Utilities Corporation Sdn Bhd	Water Treatment Plant Project	01.11.1997	30.04.1999
RM10 million <= Contract value < RM50 million				
Belaga Palm Oil Mill	Samling Plantation Bhd	Palm Oil Mill Project	06.09.2000	07.01.2002
Stream D - Filtration Plant	OTV (M) Sdn Bhd	Water Treatment Plant Project	17.02.1998	03.01.2001
Pumping plant and associated pipe work	JBA Negeri Sembilan	Water Treatment Plant Project	26.03.2001	15.06.2002
Sungai.Selangor Stream C-Filtration Plant	OTV (M) Sdn Bhd	Water Treatment Plant Project	15.04.1996	30.10.1998
Sungai Lilin Palm Oil Mill	PT Hindoli	Palm Oil Mill Project	13.09.1999	08.06.2001
Sungai Merah Palm Oil Mill	PT Sumber Indah Perkasa	Palm Oil Mill Project	02.07.1999	06.04.2001
Sri Gading Water Supply Project	Marimas Sdn Bhd	Water Treatment Plant Project	10.04.1997	06.12.1998
Sungai.Selangor Stream C-Sludge and Chemical	OTV (M) Sdn Bhd	Water Treatment Plant Project	15.04.1996	30.10.1998
Supply of treatment plant-Binh An-Contract 9	BAWC	Water Treatment Plant Project	01.11.1997	30.04.1999
Supply of pumping, electrical and generating plant-Binh An-Contract 8	BAWC	Water Treatment Plant Project	01.11.1997	30.04.1999
Contract value >= RM50 million				
Sungai Terip (Phase III)	JBA Negeri Sembilan	Water Treatment Plant Project	07.03.2000	30.06.2002
Kuala Jelai Water Supply Project	JBA Negeri Sembilan	Water Treatment Plant Project	12.06.2000	01.04.2002

4. INFORMATION ON THE SALCON GROUP (Cont'd)

A description of the Salcon Group's current major projects undertaken is set out below:

Name of Project	Description of Project	Type of Project	Project Owner	Location	Commencement Date	Estimated Completion Date
Contract value < RM10 million						
Refurbishment of Kuala Jelai existing water treatment system	Procurement, Construction and Commissioning of Kuala Jelai Water Supply Project Phase II-Refurbishment of the existing water treatment system	Water Treatment Plant	JBA Negeri Sembilan	Kuala Jelai, Negeri Sembilan	12.09.2002	31.07.2003
Construction of Sam Lae Water Pumping Station No.4 and related works	Construction of Sam Lae Water Pumping Station No.4 and related works	Water Treatment Plant	Metropolitan Waterworks Authority	Bangkok, Thailand	01.06.2003	01.05.2005
Kinrara Pumping Station and Sewer	Proposed Construction and Completion of Sewage Pumping Station No 2 and Ancillary Works for the Proposed Development of Kinrara Estate on Lot 3197, 3198 and 1804, Mukim Petaling, Selangor	Sewage Treatment Plant	Perumahan Kinrara Berhad	Puchong	15.01.2003	14.01.2004
Narajaya-Cheras Mahkota	Design, Construction, Complete, Operate and Maintain Sewage and Sludge Treatment Plants (STP A&B) - Phase 1 only) and intermediate sewage pumping stations including all ancillary works for Proposed Mixed Developments at 10th Miles, Cheras, Mukim Cheras.	Sewage Treatment Plant	Narajaya Sdn Bhd	Cheras, Kuala Lumpur	01.09.2001	31.12.2003
Sri Kembangan-Electrical Services	Mechanical and Electrical Works at Lot PT 32218, Mukim Petaling (Sri Kembangan) Daerah Petaling, Selangor	Building Services	Trans MSB Sdn Bhd	Sri Kembangan, Kuala Lumpur	01.06.2002	31.07.2003
Pulau Indah Regional Sewage Treatment Plant Phase 2C-PPT	Design, Construction, Commissioning, Operation and Maintenance of Proposed Regional Sewage Treatment Plant and associated facilities at Phase 2C, Taman Perindustrian Pulau Indah, Klang	Sewage Treatment Plant	Pembinaan Tegap Tunas Sdn Bhd	West Port	14.10.1999	31.12.2003

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Name of Project	Description of Project	Type of Project	Project Owner	Location	Commencement Date	Estimated Completion Date
RM10 million <= Contract value < RM50 million						
Pulau Indah Section 10	Proposed Development of Taman Perindustrian Pulau Indah, Klang, Selangor-Design, Construction and Commissioning, Operation and maintenance of Proposed Sewerage facilities for part of section 10	Sewage Treatment Plant	Central Spectrum Sdn Bhd	West Port	15.12.1999	31.12.2003
Contract PIT-711, Supply and Installation of trunk mains and related works	Contract PIT-711, Supply and Installation of trunk mains and related works	Water Treatment Plant	Salcon-SKV Consortium	Bangkok, Thailand	16.10.2002	20.04.2005
Labur Bina - Regional Sewage Treatment Plant	Proposed Execution and Completion of Regional Centralised Sewage Treatment Plant for Mix Development on Lot 46 and 6677, Mukim Klang, Daerah Klang, Selangor.	Sewage Treatment Plant	Lanur Bina Sdn Bhd	Klang	15.02.2003	14.02.2004
Completion, testing and commissioning of mechanical, electrical, instrumentation works and SCADA system for Kepong II Water Treatment Plant	Completion, testing and commissioning of mechanical, electrical, instrumentation works and SCADA system for Kepong II Water Treatment Plant	Water Treatment Plant	Jabatan Bekalan Air Terengganu	Kuala Terengganu, Terengganu	05.01.2003	04.01.2004
Construction of Min Buri Water Distribution Pumping Station	Construction of Min Buri Water Distribution Pumping Station, Furnishing and Installation of Pumping Equipment and Power Substation and related works	Water Treatment Plant	Hydrotek Salcon JV	Bangkok, Thailand	03.01.2002	21.02.2004
Harum Intisari Phase 2	The Design, Construction, Completion, Testing and Commissioning of vacuum sewage reticulation system comprising of sewage reticulation works, vacuum chambers, interface valves, vacuum station and necessary ancillary works for 'Parcel A' of the Proposed Mixed Development Project on Lot 122, 3377 and 72084, Mukim Klang, Daerah Klang, Selangor	Sewage Treatment Plant	Harun Intisari Sdn Bhd	Klang	01.10.2002	30.08.2008

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Name of Project	Description of Project	Type of Project	Project Owner	Location	Commencement Date	Estimated Completion Date
Johor Bahru Water Supply Privatisation Project-Contract 45	Johor Bahru Water Supply Privatisation Project – Stage 3 Works – Contract No.45 – Design, Supply, Deliver, Install, Test and Commission Raw Water and Treated Water Pump sets	Water Treatment Plant	Active Review Sdn Bhd	Sungai Johor, Johor	01.03.2002	30.06.2003
Semangar Water Supply Scheme-Contract 4B	Semangar Water Supply Scheme-Contract 4B-Supply, Installation, Testing and Commissioning of Intake Pumping and Electrical Plants and Associated Instrumentation and Control Equipment	Water Treatment Plant	SAJ Holdings/Ranhill Civil Sdn Bhd	Semangar, Johor	16.04.2001	30.06.2003
New River Gate at Sungai Sungkai	Construction, Installation of Plant, Retention Pond and main pipes at Hilir Perak, Contract No. 9 - Supply, Delivery, Installation and Commissioning of New River Gate at Sungai Sungkai, Raw and Treated Water Pumping Plant, Water Treatment Plant and Associated Equipment	Water Treatment Plant	Lembaga Air Perak	Hilir Perak, Perak	06.03.2002	05.12.2003
Johor Bahru Water Supply Privatisation Project -Contract 46	Johor Bahru Water Supply Privatisation Project Stage 3 Works – Contract No. 46 - Design, Supply, Deliver, Install, Test and Commission Raw Water and Treated Pump sets	Water Treatment Plant	Active Review Sdn Bhd	Sungai Johor, Johor	01.03.2002	30.06.2003
Project Pembangunan Bekalan Air Daerah Sandakan	Project Pembangunan Bekalan Air Daerah Sabah	Non-revenue water	Jabatan Air Sabah	Sandakan, Sabah	16.04.2003	15.10.2005

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Name of Project	Description of Project	Type of Project	Project Owner	Location	Commencement Date	Estimated Completion Date
Contract value >= RM50 million						
Lancang Treatment Works	Construction of Jus Dam, Lancang Plant and Baru Gadek Plant and other related works relating to Package B-Lancang Treatment Works & Bulk Transfer	Water Treatment Plant	Pembinaan Air Melaka	Lancang, Melaka	18.02.2002	17.02.2004
Privatisation of the management, operation and maintenance of Sg. Terip Water Treatment Plant including monitoring and inspection of Sg. Terip Dam, Sg. Kelinchi Dam, Upper Muar Dam, Gemenchih Dam, Pedas Dam and Sg Kelinchi Raw Water Pumping Station in Negeri Sembilan	Privatisation of the management, operation and maintenance of Sg. Terip Water Treatment Plant including monitoring and inspection of Sg. Terip Dam, Sg. Kelinchi Dam, Upper Muar Dam, Gemenchih Dam, Pedas Dam and Sg Kelinchi Raw Water Pumping Station in Negeri Sembilan	O&M	Jabatan Bekalan Air Negeri Sembilan	Seremban, Negeri Sembilan	01.10.2002	01.09.2012

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.5.1 Research and Development

Research and development ("R&D") activities are undertaken by the Engineering Department in the Salcon Group, focusing largely on the water sectors, the mainstay of the Salcon Group's business.

The main objective is to improve the design of process plants which the Salcon Group adopted in various water treatment plants. At present, studies are conducted to optimise the efficiency of the sand removal system (ejector system). In addition, optimisation of the sludge removal efficiency of the lamella clarifier is an on-going activity. Both studies are performed on existing water treatment plants.

As part of future R&D plans, the Salcon Group has included the following programmes:

- (a) Optimisation of elements in the design of dissolved air flotation system such as chemical dosage, sludge removal system and water recycle rate. The estimated time frame to conduct the study is 12 months.
- (b) Optimisation of elements in the design of filtration system. The estimated time frame to conduct the study is 24 months.

The Salcon Group is also considering programmes in collaboration with institutions of higher education as well as with foreign corporations in the areas of expertise and technology for which they are known for.

4.5.2 Quality Management Programmes and Systems

The Salcon Group is focused on providing quality service and constantly improving the systems and work processes in the projects it undertakes. The Quality Assurance, Safety, Health and Environment Department is responsible for ensuring that the work is undertaken in accordance with relevant quality management systems. It is also the role of this department to monitor the continuing compliance of the Salcon Group with the ISO9001:2000 and ISO14001:1996 standards.

The WED unit was awarded the ISO9001:2000 accreditation by the Bureau Veritas Quality International for the design, procurement, construction, testing & commissioning and maintenance of water and wastewater treatment plants in 1999. Staying true to its environmental philosophy "Environmental Conservation through Sustainable Development", the WED was awarded the ISO14001:1996 certification in 2002 for its commitment to the prevention of pollution and continuous improvement of environmental performance throughout its business operations.

Meanwhile the Salcon Group also conforms to the Occupational Safety and Health OSHA 18001 (1994) requirements, with the development of a Corporate Safety and Health Manual for implementation on the project sites and the corporate office. At the same time, the Group also established a Safety and Health Policy Statement acknowledging top management's commitment in maintaining stringent safety work practices on and off the project sites. Furthermore, a Safety and Health Committee is also in place to periodically review, update and continuously improve the effectiveness of the Safety and Health Management System adopted by the organisation.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

The Salcon Group continuously keeps abreast of the latest development and technology; it maintains a library cum resource centre and subscribes to relevant technical magazines and periodicals to keep abreast of industry standards and codes of practice.

All staff are also encouraged to attend and participate in relevant industry conferences and exhibitions. A mentoring system is also in place where junior staff are closely supervised, guided and trained by experienced and senior staff. Emphasis is also placed on providing relevant and continuous training to employees including in the areas of risk and project management as well as in the use of information technology within the Salcon Group.

In its overseas operations, the Salcon Group has set up country offices that are headed by its senior personnel who are experienced and familiar with the management and operating standards required by the Salcon Group. In this manner, the Salcon Group ensures that the required level of quality is maintained. At the same time, a proactive approach towards risk assessment is adopted and business opportunities in these countries are identified and communicated immediately to enable timely decision-making.

4.5.3 Employees

As at 15 July 2003, the Group has 211 employees. The management of the Group enjoys a good relationship with the employees and there have been no disputes with the employees over the years. The employees do not belong to any trade union. The categories of employees and their number of years in service with the Group are tabulated below:

Category of employees	Years of Service					Total
	< 1	1 - 3	4 - 5	6 - 10	> 10	
Senior Management	-	10	1	2	4	17
Managerial	5	9	2	7	9	32
Supervisory	11	22	5	13	12	63
General	66	8	3	11	11	99
Total	82	49	11	33	36	211

4.5.4 Interruptions In Business During the Past Twelve Months

There has been no interruption to the Group's business or operations in the past twelve(12) months.

4.5.5 Key Achievements of the Group

Key achievements of each SBU are summarised as follows:

WED**(i) First BOT in Malaysian Water Industry**

SEB is a partner in a consortium involved in the privatisation of Greater Ipoh Water Supply II, a major BOT water development programme (valued at RM308 million) involving sourcing, treatment and supply of water to Lembaga Air Perak.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

(ii) First BOT in Vietnam

SEB is a lead member in a consortium which is involved in the finance, design, construction and commissioning of the first BOT project in Vietnam. The project is valued at USD35.8 million.

(iii) First Integrated Dissolved Air Flotation System in Malaysia

Salcon is proud to implement the first integrated Dissolved Air Flotation System in Malaysia. The technology was utilised in the 120 Mld treatment plant in Bertam, Melaka.

(iv) Advanced Lamella Plate Technology

Salcon also has the ability to implement new technologies, and a recent sample of this is the use of Lamella Plate Technology in the 45 Mld Kuala Jelai Water Treatment Plant in Negeri Sembilan.

(v) Largest Sludge De-watering Plant in Johor Bahru

The construction of the largest sludge de-watering plant in Johor Bahru for the Public Utilities Board of Singapore.

AID

AID has successfully completed no less than 80 palm oil mill projects in Malaysia and overseas with capacities ranging between 10 and 120 tonnes FFB/hr.

AID was the first to build one of the largest palm oil mills in Malaysia (80 tonnes FFB per hour) on a turnkey basis in Sabah, during the financial year ended 1998.

In 1999, the AID completed its first turnkey palm oil mill project in India (Andhra Pradesh) within a record time of 13 months, in comparison to the normal completion period of 16 to 18 months.

In Nigeria, SEB completed an integrated palm oil mill complex comprising a crude palm oil mill, refinery and kernel crushing plant.

4.5.6 Market and Competitive Conditions

The Salcon Group is one of the most established engineering companies in the water, wastewater and palm oil mill industry in Malaysia with more than 28 years of operating experience and the Group has been and is in a position to compete in the market place.

The market for engineering and construction sector is competitive especially with many Malaysian and foreign companies being involved. The strategy of competition is on price, quality and timely completion. Having been involved in the water and palm oil mill industries for almost three decades, the Group has the requisite knowledge, skills and capabilities, and is able to work more effectively and efficiently. In addition, organising the Group in SBU basis allows specialisation to deliver quality products and services. The Group is also continuously improving its methods, systems and procedures in line with market demands.

The complexity and nature of work requiring fast completion, has also created a high barrier to entry for new players in the market. By maintaining flexibility to offer services at all levels, the Group is able to compete.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Water Sector

In the water sector, the main players who have been in the industry with this technical specialisation are few. In the recent years, there were few entrants to the market to compete for large turnkey projects. Those without technical specialty have teamed up with foreign players to compete. However, in practice, it requires years of active market penetration to reach the level of involvement achieved by the Group at present.

The Government expenditure for water infrastructure of nearly RM4.0 billion in the Eighth Malaysia Plan is expected to extend into the Ninth Malaysia Plan. As water consumption for domestic and industrial use is expected to increase by 5.4% as stated in the Eighth Malaysia Plan and while existing and planned capacity will be sufficient to meet this increase, attention will be given to long-term water resources planning and development. The Government is adopting the same approach as for toll roads i.e. to privatise the water sector to minimise direct funding. Therefore, the availability of work from the public as well as the private sectors will continue.

Wastewater Sector

The market for the industry is competitive yet fragmented with the participation of both local and foreign companies. The players compete in terms of price and quality. Therefore, price must be competitive and the quality of work is of critical importance besides technological innovation, timeliness and flexibility in producing output as well as effectiveness and efficiency in delivering after-sales service. By leveraging existing capabilities of ESB with continuous improvement and responsiveness to market demands, the Group is well-poised to compete in the market place.

Palm Oil Mill Industry

Since Malaysia is the world's largest producer and exporter of palm oil for the past decade, expertise in palm oil mill contracting is evidently and has been predominantly in Malaysia. With nearly three decades of experience in constructing mills and refineries in countries ranging from Indonesia to Africa, the Salcon Group has achieved an enviable track record to secure future contracts in areas where new palm oil mill expansion is expected.

In South East Asia, the palm oil mill growth is projected to be in East Malaysia and Indonesia where the Malaysian palm oil conglomerates are taking the lead which the Salcon Group is familiar with. The Salcon Group is well positioned to tap the opportunities present in the growth areas having completed mills in East Malaysia and Indonesia.

The experience gained in the palm oil mill business over the years has enabled AID to have the know-how to complete a palm oil mill project within a record time of 13 months, in comparison to the normal completion period of 16 to 18 months which clients favour. This achievement has provided AID an advantage over other competitors.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.5.7 Governing Laws and Regulations**Water Supply Industry**

Malaysia was among the first Southeast Asian nations to give priority to the environment in its industrialisation program. The Malaysian government formalised its environmental management policies in its Third Malaysian Plan (1976-1980) as early as the mid-1970s and again in the late 1980s in response to international concern. Since 1989, the government has placed greater emphasis on environmental problems due largely to rapid industrialisation and urbanisation. These include water supply and wastewater treatment, air pollution control, hazardous waste management, and more recently, solid waste management. Water authorities require that treatment plants produce potable water to WHO standards.

The Salcon Group will continue to carry out its business in accordance with sound environmental standards and to give priority to protecting the environment.

The legislation relevant to the water sources and water supplies are as follows:

(i) Water Act, 1920 (Revised 1989)

Under the Water Act, 1920 (Revised 1989), the entire property in and control of all rivers in any State is vested solely in the Ruler of such State.

No person may in any manner obstruct or interfere with any river except under and in accordance with the terms of a license under this Act. A license to divert water from a river in any district for private or domestic purposes, or to use water in the cultivation of rice, industrial and other purposes may be granted by the District Officer of such district with the approval of the State Authority.

This Act only applies to the States of Negeri Sembilan, Pahang, Perak, Selangor (including the Federal Territory of Kuala Lumpur), Melaka and Pulau Pinang. For the other States, there are similar provisions in the State Enactments.

(ii) Geological Survey Act, 1974

The legislation governing the extraction of groundwater is the Geological Survey Act, 1974 which requires that any person who develops a well for the purpose of extracting water has to notify the Director General of the Geological Survey Department. This requirement does not apply to any well which is less than 30 feet (9.15m) in depth without reaching bedrock or yield less than 500 gallons (2,273 litres) of water per day and is used only for domestic purposes.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

(iii) Environment Quality Act, 1974

The Environment Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 1987 enforced under the Environmental Quality Act, 1974 governs the environmental impacts due to the prescribed activities. One of which is the construction of dams or impounding reservoirs with a surface area of 200 hectares or more. Environmental Impact Assessment is also required for the groundwater development for industrial, agricultural or urban water supply for quantity greater than 4,500 m³ per day.

The legislation relevant to public water supply are:

(a) Water Supply Enactments

The Water Supply Enactment, 1955 empowers the State Water Supply Authorities ("SWSA") to supply water to domestic and trade consumers. This Enactment also empowers the SWSA to lay water mains and distribution pipes across or under any street and through or under any enclosed land making reasonable compensation for any damage done. This Enactment only applies to the States of Pahang and Perak. For other States there are similar provisions in the State Enactments.

In Johor, Terengganu and Pulau Pinang, private limited companies were formed to take over the water supply services through the process of corporatisation and privatisation. These were established under the provisions of the revised Water Supply Enactments in the respective States.

(b) The Proposed Safe Drinking Water Act

At present, the quality of treated water supplied by the SWSA/companies is based on WHO standards. To further enforce compliance of quality, the Ministry of Health is in the process of drafting the "Safe Drinking Water Act" to control the quality of drinking water supplied to the public. Under this proposed Act, the supply of drinking water, which does not satisfy specific standards would be an offence.

(Source: Malaysia Water Industry Guide 2001, Malaysian Water Association in collaboration with the Water Supply Branch, Public Works Department, Malaysia)

4.5.8 Environmental Concerns

Salcon is committed to producing safe drinking water and treating wastewater, which satisfies all stringent quality standards set by international bodies such as WHO and the Environmental Protection Agency. SEB's concern to the environment is reflected in its environmental philosophy of "Environmental Conservation through Sustainable Development". SEB has been awarded the ISO14001:1996 certification in 2002 for its commitment to the prevention of pollution and continuous improvement of environmental performance throughout its business operations.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.6 Industry Overview

(The information stated herein are representations from the management of Salcon save for those indicated otherwise. The said representations are based on Salcon's own research and have been compiled and collated after exercising reasonable due diligence and care)

4.6.1 Water Sector

Overview

In the early 19th century, water supply systems started to be implemented in the Federated Malay States and the Straits Settlements. During the Japanese Occupation between 1941 and 1945, there was no expansion in the water supply systems. Immediately after the war, the development of water supply continued, and by the year 1950, the country had one hundred treatment plants producing 195 Mld supplying a population of 1.15 million. Major developments, however, took an upturn during the era after the nation gained independence from the British in 1957 with the implementation of the National Five Year Development Plans in which the Government laid particular emphasis on the development of various sectors such as water supply, roads, education and health, all of which are essential for national development.

As the country moves into the 21st century, emphasis will be given to increasing the capacity and accessibility in less developed areas while in urban areas, the focus will be to enhance efficiency and improve public transport services. The provision of utilities such as communications, water and sewerage will be given priority to increase coverage and improve the quality of life which will be implemented under the 8th Malaysia Plan period (2001 – 2005).

(Source: Eighth Malaysia Plan)

The commissioning of new water supply projects will further improve supply to meet demand throughout the country. The production capacity increased from 9,442 Mld in 1995 to about 11,917 Mld in 2000. While the quantity supplied to consumers is expected to increase from 7,662 Mld to about 9,655 Mld during the same period. The urban coverage is expected to reach 100 per cent in most states, while the rural coverage is expected to increase from 77 percent in 1995 to 91 per cent in year 2005.

(Source: Eighth Malaysia Plan & Malaysia Water Industry Guide 2002, Malaysian Water Association in collaboration with the Water Supply Branch, Public Works Department, Malaysia).

Industry Segments

The water supply industry can be broadly separated into two distinct segments, i.e. production and distribution. The production aspects generally encompasses the upstream activities, from the abstraction of raw water to the treatment and sales of bulk treated water whereas the distribution sub-sector involves delivery of treated water to customers, as well as collection of bills.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Water Production

Water production is either undertaken by the government via the water authorities or by the private sector through privatised concessions. Under each category, there are opportunities in terms of new capacity as well as upgrading of existing facilities. These in turn will consist of construction work or O&M. The construction of the facilities can further be split into several disciplines, of which two major portions are civil and structural works as well as M&E works.

Water Authorities

Under the Federal Constitution of Malaysia, water supply matters are the responsibility of the states. State Governments are responsible for the development, operation and maintenance of water supplies. The States exercise this responsibility through the state Public Works Department, State Water Supply Department, State Water Board or the State Water Corporation or privatised and/or corporatised companies.

The state water supply authorities have a monopoly in carrying out the task of public water supply in the respective states. The scope of responsibility of public water supply involves planning, financing, development, O&M of water supply and consumer services.

The development aspect involves source works such as dams, construction of water treatment plants, trunk mains and service reservoirs, water supply distribution systems and connections to consumers. The O&M aspect involves all components of the water supply system i.e. to ensure that the facilities operate efficiently and are capable of satisfying specific levels of service.

Privatisation in the Water Supply Industry

Participation by the private sector will continue to be encouraged under the Eighth Malaysia Plan (2001 – 2005), with the Government assuming an increasingly important role in the supervision and setting of performance standards of infrastructure facilities and services to support the growth and competitiveness of other sectors. In this regard, privatisation will continue to be implemented to facilitate economic growth. The implementation of the privatisation programme continued to be guided by the Privatisation Master plan and aimed at benefiting all Malaysians. Steps will be taken to further strengthen and streamline the implementation process as well as regulatory framework to ensure the effectiveness of the privatisation programme.

During the Eighth Malaysia Plan period, the states of Melaka, Negeri Sembilan, Pahang, Perak and Sabah are expected to complete the privatisation or corporatisation of water supply authorities. Privatisation of water supply authorities will be conducted in an integrated manner to include treatment works, distribution of water, billing and customer services. State water regulatory bodies will be set up with sufficient power for the enforcement of economic and safety regulations to ensure that the private companies adhere to the conditions in the privatisation agreement. In enhancing the effectiveness of the state's regulatory mechanism, the Water and Sanitation Commission will be set up to advise state governments on matters relating to social obligations to be performed by the concessionaire as well as on legal aspects.

(Source: Eighth Malaysia Plan)

4. INFORMATION ON THE SALCON GROUP (Cont'd)

As at end of 2000, there were 463 water treatment plants in Malaysia as compared to 462 as at the end of 1999. The total production capacity was about 11,917,054 m³ per day as compared to the average production of 9,655,104 m³ per day. The operation and maintenance of these treatment plants are the responsibility of the respective State Water Authorities/companies in the states.

(Source: Malaysia Water Industry Guide 2001 & 2002, Malaysian Water Association in collaboration with the Water Supply Branch, Public Works Department, Malaysia)

In some other states, some aspects of the services such as the operation and maintenance of treatment plants have been privatised in the initial stage. Under this concept, the private operator is only responsible to treat the raw water and then sells it to the State Water Authorities. The distribution of the treated water to the consumers, billings and collection of revenue remain the responsibility of the State Water Authorities.

For the states which have only privatised some of their water supply services, the process of privatisation is still ongoing and ultimately all the water supply functions will be fully privatised.

(Source: Malaysia Water Industry Guide 2001, Malaysian Water Association in collaboration with the Water Supply Branch, Public Works Department, Malaysia)

Financing

The Government will continue to provide a substantial allocation for infrastructure and utilities development. A total of RM27 billion will be allocated by the Government, with RM4.0 billion for water supply and RM1.6 billion for sewerage. The substantial investment in infrastructure and utilities projects will further improve the transport network as well as the availability and reliability of public utilities.

Water supply expenditures for capital works under the 5-Year Malaysia Plans:

5-year plan	Period	Total Expenditure (RM'000)
Third Malaysia Plan	1976 - 1980	538
Fourth Malaysia Plan	1981 - 1985	2,085
Fifth Malaysia Plan	1986 - 1990	2,348
Sixth Malaysia Plan	1991 - 1995	2,089
Seventh Malaysia Plan	1996 - 2000	2,385
Eighth Malaysia Plan	2001 - 2005	3,966*

* Budget Allocation (Revised)

(Source: Malaysia Water Industry Guide 2001, Malaysian Water Association in collaboration with the Water Supply Branch, Public Works Department, Malaysia & Eighth Malaysia Plan (2001-2005))

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

Water Supply Resources and Development Plans**Water Supply**

The thrust of the sub-sector will focus on the need to efficiently manage the national water resources so that the nation will have an adequate supply of safe water. For this purpose, the proposed National Water Policy and the new National Water Resources Master Plan, which cover the planning horizon up to year 2050, will provide the strategies and guiding principles for the future development and conservation of national water resources. These principles will be based on, among others, integrated development, equitable regional allocation of water resources, environmental integrity, uniform water regulation and practices, economic value of water and uniform water tariff structure. In this respect, the proposed Water and Sanitation Commission will enforce compliance to meet environmental and water quality objectives through the regulatory mechanism. In addition, the Government will incorporate watershed planning as a decision-making tool involving land-use policies to reflect the economic value of water catchments, forest reserves and other protected areas, as well as to gazette water catchment areas, dam sites and riparian areas to preserve water supply for future use. Adequate funding and resources will be provided to carry out these programmes effectively. These will be coordinated by the National Water Resources Council through greater cooperation and coordination via federal-state Government and industry players' dialogues and partnerships.

Besides ensuring an efficient and reliable water supply system, priority will be given to minimise wastage and losses. During the plan period, an effective and comprehensive demand management and conservation strategy will be introduced. The NRW is thus expected to be reduced from 36 percent in 2000 to 31 percent in 2005. The public awareness campaign on the importance of conserving water will be intensified. Building by-laws will be amended to ensure that new houses and industrial premises are fitted with water conservation devices. Efforts will also be undertaken to improve the monitoring and surveillance of dams. These measures will include those monitoring of dam characteristics such as hydrological yield, storage volume, critical level and mode of release of water for better balancing of supply and demand, particularly during the dry season. In addition, the construction of more storage bunds will be carried out.

Demand for water for domestic and industrial use is expected to increase by 5.4 percent per annum during the Plan period. The national water supply coverage is expected to increase to 95%, with almost 100 percent coverage of urban areas and 91 percent of rural areas in 2005. Besides meeting the increasing demand in urban areas, the Government will continue to provide good quality drinking water to small rural communities. In this regard, the development of infrastructure facilities will continue to be undertaken to tap groundwater and treat water from rivers and streams to supplement piped water. Supply of water will be further improved in states that have low water coverage in rural areas. In addition, the utilisation of downstream surface water for industrial and non-critical purposes will be implemented.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

The implementation of water supply projects will be further accelerated, such as the construction of the Chereh Dam and the Greater Kuantan Water Supply and the Tanjung Malim Water Supply Scheme. The construction of two major source works, the Sungai Selangor Phase III project (SSP3) and the Pahang-Selangor Raw Water Transfer Scheme, will commence during the Plan period to cater for the increase in water demand in the Klang Valley. Besides the Sungai Selangor Dam, the SSP3 includes Stage 1 of the Bukit Badong Water Treatment Plant with a capacity of 400 Mld which is expected to be completed by 2002 and Stage 2 with a capacity of 400 Mld by 2004. the Pahang-Selangor Raw Water Transfer project is designed to transfer a maximum capacity of 2,400 Mld of raw water by means of pipelines and a tunnel from Pahang to Selangor as well as the Federal Territory of Kuala Lumpur and subsequently to Negeri Sembilan.

The use of information and communications technologies ("ICT") will be expanded with the establishment of a standardised national information system with a network of databases at the Federal and state levels. Apart from data on water availability and actual usage, the system will also include projections of demand for water. In addition, to enhance the management and operation of water distribution, the application of Geographical Information System, SCADA, telemetry systems as well as customer information and billing systems will be expanded. These systems will, among others, alleviate the problem of NRW through the early detection of problem areas.

(Source: Eighth Malaysia Plan)

Prospects

Despite the fact that Malaysia is blessed with abundant rainfall, with average annual rainfall varying from 2,000 to 2,500 mm, the country still experienced water shortages from time to time. As such, the government has given considerable emphasis on the provision of basic amenities and utility services to alleviate the situation. In particular, to overcome the problem of water shortage especially in rapidly developing areas, interstate water transfer programmes as well as the utilisation of surface downstream water for industrial and non-critical purposes will be implemented. Efforts will also be taken to identify potential groundwater sources as a supplementary source of surface water, especially during dry seasons. To improve water demand management, programmes to reduce non-revenue water and increase public awareness on conservation will be further intensified. Hence, there is tremendous scope for participation by the private sector in areas of water treatment, storage as well as distribution.

(Source: The Third Outline Perspective Plan 2001-2010, Economic Planning Unit, Prime Minister's Department, Malaysia)

The demand for water is dependent on economic and population growth of the country. The Malaysian economy ranked the one of the strongest economies in the Asean region, experiencing a sustained growth of 8% per annum prior to the financial crisis. In 2003, a growth rate of 4.5% was forecasted.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

During the Third Outline Perspective Plan period of between 2001-2010, Malaysia's GDP is targeted to grow at an average annual rate of 7.5% in real terms, taking into account the projected trends in the world economy, growth in domestic savings and investment as well as expected productivity improvements.

(Source: The Third Outline Perspective Plan 2001-2010, Economic Planning Unit, Prime Minister's Department, Malaysia)

MALAYSIA: KEY ECONOMIC INDICATORS				
	2003f	2002p	2001	2000
Real GDP (RM billion)	229.2	219.3	210.5	209.5
Growth Rate (%)	4.5	4.2	0.4	8.3

p : preliminary

f : forecast

(Source: Bank Negara Malaysia Annual Report 2002)

Future Demand

Demand for water for domestic and industrial use is expected to increase by 5.4 percent per annum during the Eighth Malaysia Plan period. The national water supply coverage is expected to increase to 95%, with almost 100 percent coverage of urban areas and 91 percent of rural areas in 2005. These estimates are unlikely to vary much from the actual as Malaysia is expected to continue its rapid pace of socio-economic and industrial development as the economy recovers. Even with the present economic slowdown, the Government still expects to witness positive growth albeit only at a modest quantum.

The population in Malaysia is expected to grow at an average of 2.3 per cent per year over the five period of the Eighth Malaysia Plan. This will result in a population of 26 million by the end of 2005. Although the population growth in the more industrialised states tend to be lower as they stabilise and become more developed, the demand for water continues to increase.

(Source: Eighth Malaysia Plan)

Regional Water Supply Industry**Introduction**

The World Commission on Water estimated that a total of one billion people, largely from less developed countries lack access to safe water. As the global population increases, the situation will worsen in the next two decades. Water use will increase by about 40% and 17% more water will be needed to grow food for the enlarged population. According to the United Nations, by 2025 two-thirds of the world's population will face water shortages.

The World Bank estimates that approximately USD600 billion will be invested between 1995 and 2005 to avoid severe water shortages. It is becoming increasingly difficult to match water supply facilities with the rapid increase in population. Statistics have shown that water utilisation has grown at more than twice the population increases. Much of the growth is expected to take place in developing countries, as governments commit more public investment in water and sewerage.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Water Investments in Asia

Rapid economic expansion and swelling populations are creating surging demand for water, which very often cannot be met sufficiently. Many Asian cities have less than 24-hour supplies of water.

Therefore there is tremendous scope for the private sector to help alleviate these shortages, because many governments do not have the resources to pay for expansion. Given below is a review on the potential of some possible markets in the region.

(i) Vietnam

Despite the adverse economic situation in the Asian region over the last few years, Vietnam has been relatively insulated against outside shocks its neighbours are facing. Although overall growth contracted to 7% in 2002, the overall macro-economic profile is still promising on the back of sound fundamentals i.e. maintainable GDP growth, inflation rate well contained below 10%, increasing industrial production (14%-15% growth) and sustainable national savings.

The Vietnamese Government aims to simplify the business environment for overseas investors which includes a spectrum of measures in terms of profit tax rates, import duties, land use permits and a range of other incentives for priority sectors.

(ii) Thailand

The Thai Government maintains an open, market-oriented economy and encourages foreign direct investment. Although the on-going regional economic crisis has slowed the flow of new investment, the Government is now in the process of adjusting its legal and regulatory regime with the objective of creating a more competitive climate for foreign investment. Although it will take some time for confidence to be restored, many international companies are already establishing contacts and exploring the potential that lies ahead. The prospects for growth will be dependent on continued progress in finance sector reform and corporate debt restructuring.

Sourcing and distribution of water is mainly under the responsibility of the Metropolitan Waterworks Authority ("MWA") and Provincial Waterworks Authority ("PWA"). In 2002, MWA produced 2.9 million cubic meters per day and PWA 2.03 million cubic meters per day. The Seventh Development Plan aims to increase water supply through the development of new water supply sources and improvement of the water-distribution system. It targets to increase water supply from 2.9 to 3.2 million m³/day in the Bangkok Metropolitan Administration.

(iii) China

Statistics from the Chinese Economies Research Centre have revealed that since 1993, China has become the second largest FDI recipient in the world and the single largest host country among the developing countries. In fact, a total of USD21.6 billion has been invested by the Chinese Central Government into water conservation projects over the past five years.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

The demand for municipal water and wastewater services in China has increased sharply with high population growth rates, rapid industrialisation and economic development. China's ascension to WTO also means more environmental equipment can be exported to Chinese market and more water wastewater treatment projects can be available to foreign companies.

Against this scenario, the opportunities in the water and wastewater industry in China are definitely huge; Salcon has allocated the necessary resources to tap into this market and proactively seek out feasible project opportunities.

Key Players in the Water Supply Industry

The following are some of the comparative performance indices of the Salcon Group and companies with similar activities listed on the KLSE:

Name of Company	Salcon Group	Loh & Loh Corporation Berhad	Road Builder (M) Holdings Bhd	Puncak Niaga Holdings Berhad	Ranhill Bhd
Year Ended	Proforma 31 Jan 2003* RM '000	31 Dec 2002 RM '000	30 June 2002 RM '000	31 Dec 2002 RM '000	30 June 2002 RM '000
Issued & Paid-up Share Capital	95,631	68,000	327,006	437,500	79,000
Net EPS (sen)	15.63**	22.00	40.00	40.99	69.90
NTA per share (RM)	0.42	1.97	3.03	2.68	2.61
Debt Equity Ratio (Times)	0.59	0.02	0.23	1.30	0.63
Current Ratio (Times)	1.15	1.91	1.98	3.66	1.63
Price as at 15 July 2003 (RM)	1.20***	2.97	3.80	2.90	4.60
PE multiple (Times)	7.68	13.50	9.50	7.07	6.58
Price / NTA (Times)	2.86	1.51	1.25	1.08	1.76

Notes:

* After the Public Issue and Debt Settlement but before ESOS

** Based on profit forecast for the financial year ending 31 July 2004

*** Based on the Public Issue/Offer price

(Source: Respective Companies' Audited Accounts and Annual Reports)

International Players

Foreign companies in the water sector are actively pursuing projects in Malaysia and in the region. Some of the large integrated water companies are competing for tenders in construction as well as privatisation concessions and O&M contracts. Among others are Thames Water Plc (UK), United Utilities Plc (UK), Anglian Plc (UK), Biwater (UK), Lyonnaise des Eaux (France) and Vivendi (France). In order to compete, most international players tend to collaborate with local companies.

Barriers to entry

- Specialised technology and expertise required
- High start-up cost

4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.6.2 Wastewater Sector

Overview of the Wastewater Industry

The provision of proper sanitation is an important urban service that is crucial towards promoting economic growth and improving the quality of life of the people. It consists of facilities for the collection, treatment and disposal of human waste and other wastewater generated from urban dwellings and commercial facilities.

Prior to the 70's, septic tanks formed the bulk of sewerage systems. Pour flush latrines and pit latrines were common facilities in the rural areas. As the urban population grew, centralised systems evolved. The bucket system or night soil collection system prevailed for a very long time until as late as 1990. Drastic measures were needed. The Government launched many strategies to combat the deteriorating urban sanitation situation.

The National Sewerage development programme was launched in the 70's, with the aim to develop modern sewerage systems for each major urban centre in a planned and systematic manner. Under this programme 19 sewerage master plans were prepared.

However, funds to implement these comprehensive master plans were limited. Only 9 of these urban centres could partially implement the master plan proposals. The revenue base of local authorities also could not support the huge expenditures involved. Subsequently efforts were directed towards decentralising sewerage facilities. In order to reduce the backlog of urban sanitation facilities, the Ministry of Health spearheaded efforts to ensure that all new developments had sewerage systems incorporated as part of the overall development. This then left only the older urban areas that needed refurbishment with new sewerage facilities. This is when many oxidation ponds, and aerated lagoons were constructed as low cost sewage treatment and disposal facilities. With time, these gave way to more sophisticated systems such as rotating biological contactors, activated sludge plants, extended aeration activated sludge system, oxidation ditch, trickling filter, sequencing batch reactor Intermittently Decanted Extended Aeration system and others.

(Source: "Affordable Water Supply and Sanitation: Privatisation of Sewerage Services in Malaysia"; Datuk Ir. Dr. M.S.Pillay, Ministry of Health, Malaysia; 20th Water Engineering and Development Centre Conference, Colombo, Sri Lanka; 1994)

Industry Segments

Due to the current structure of the industry in Malaysia, the wastewater industry can be broadly divided into three segments:

- Capital development of new sewage treatment plants, sewer networks and sludge treatment and disposal facilities;
- Refurbishment, upgrading and O&M of existing sewage treatment plants including billing and collection; and
- Development of new sewage treatment plants by housing developers.

Currently the Salcon Group is actively involved in the design and construction of sewage treatment plants utilising various systems and technology for property developers and municipalities.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Privatisation in the Wastewater Industry

Over the last two decades there have been great improvements in urban sanitation. Nevertheless, the need to operate and maintain the growing number of communal sewage treatment plants, the shortage of funds, the increasing environmental damage to rivers and beaches, lack of manpower and expertise and rapid urbanisation, put a heavy burden on local authorities throughout the country.

In order to fulfil the urgent need to provide for an integrated accelerated development programme to upgrade and extend sewerage services to all urban areas and in keeping with the National Privatisation Policy, the Government of Malaysia awarded the concession for the privatisation of sewerage services nationwide to IWK in December 1993. The concession was for a period of 28 years for 144 local authorities operational areas in Malaysia.

(Source: "Affordable Water Supply and Sanitation: Privatisation of Sewerage Services in Malaysia"; Datuk Ir. Dr. M.S.Pillay, Ministry of Health, Malaysia; 20th Water Engineering and Development Centre Conference, Colombo, Sri Lanka; 1994)

Wastewater Authorities

To enable privatisation of sewerage services, the Sewerage Services Act 1993 ("SSA") was enacted. Under the SSA, responsibility and authority pertaining to all sewerage matters was transferred from the local authority to the Federal Government. This transfer also includes the transfer of all local authority staff to IWK.

A Sewerage Services Department was also created in the Ministry of Housing and Local Government, headed by a Director-General, to carry out the regulatory function, macro planning, research and development, policy formulation review and coordination. The Sewerage Services Department is also responsible for the implementation of public sewerage systems in accordance to a Capital Works Programme.

(Source: "Affordable Water Supply and Sanitation: Privatisation of Sewerage Services in Malaysia"; Datuk Ir. Dr. M.S.Pillay, Ministry of Health, Malaysia; 20th Water Engineering and Development Centre Conference, Colombo, Sri Lanka; 1994)

Takeover by the Government

However, the national sewerage privatisation project had encountered many problems. In June 2000, as testimony of the Government's seriousness in ensuring that a proper and efficient sewerage system will be successfully put in place and maintained, the Government, through the Minister of Finance Incorporated, took over the entire equity in IWK from its previous private owners. IWK is now well-positioned to undertake the vital task of ensuring that Malaysians today and in the future will be able to enjoy a clean and healthy environment through a proper and well-maintained sewerage system.

(Source: Indah Water Konsortium website. www.iwk.com.my)

4. INFORMATION ON THE SALCON GROUP (Cont'd)**Financing**

Industrial and municipal wastewater have been identified as one of the major sources of pollution in Malaysia, as reflected by the deterioration of our river water quality at an annual average rate of 1.2% in the last decade along with rapid industrialisation. Many of these wastewaters contain pollutants which are difficult to treat and are capable of creating a high oxygen demand when discharged.

(Source: "National Biotechnology Directorate. Priority Setting in Malaysia under the 8th Malaysia Plan" (First Edition), National Biotechnology and Bioinformatics Network Website, www.nbbnet.gov.my/Book/industri.htm)

As part of the measures to address this issue, the Government has provided a substantial allocation for infrastructure utilities development under the Eighth Malaysia Plan. As shown in the table below, RM1,583.6 million is allocated for sewerage, an increment of 136.9% (from RM668.5 million to RM1,583.6 million). The substantial investments in utilities projects are expected to further improve the availability and reliability of public utilities in the country.

5 year Plan	Period	Total Expenditure (RM'000)	Percentage increase (%)
Seventh Malaysia Plan	1996-2000	668.5	na
Eighth Malaysia Plan	2001-2005	1583.6*	136.9%

* Budget Allocation

(Source: Eighth Malaysia Plan)

In terms of sewerage system, the provision of modern sewerage facilities will be accelerated to reduce water pollution and preserve the environment. To meet these objectives, centralised sewerage projects will be implemented with priority given to state capitals, major towns and tourist resorts. However, in locations where connections to the centralised system are too costly or have adverse impact on the environment such as hilly and isolated areas, individual sewerage systems will be implemented. The refurbishment and upgrading of the sewerage system will also be intensified.

(Source: The Third Outline Perspective Plan 2001-2010, Economic Planning Unit, Prime Minister's Department, Malaysia)

During the Eighth Malaysia Plan period, the Government will embark on an extensive sewerage capital development programme with the implementation of 13 sewerage work project. These include the upgrading of 10 sewage treatment plants and sewer networks and the provision of three new central sludge facilities to ensure the delivery of better service. The completion of these projects will provide sewerage services to an additional 1.8 million population.

The implementation of the refurbishment works programme on about 2,500 treatment plants will produce better quality effluent and improve the environment. The implementation of this programme is in line with the recommendations of the sewerage study where the existing concessionaire will undertake the O&M works for the sewerage services including billing and collection of charges. The Government, on the other hand, will be responsible for the capital expenditure required to expand, upgrade and rehabilitate the sewerage system. This option will, among others, ensure that the sewerage services will continue to be provided to the public at affordable rates and ensure safe wastewater disposal.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

The taking over of new sewerage plants from the developers will increase the coverage of the population served by the concessionaire to about 14.4 million people by the year 2005. The implementation of the sewerage catchment plan will further reduce the number of localised treatment plants and optimise resources in the operation and maintenance of sewerage system. However, individual sewerage system will be implemented in locations such as hilly and isolated areas where connections to the centralised system are closely or have an adverse impact on the environment.

(Source: Eighth Malaysia Plan)

Competitors

Wastewater projects are expected to become a key element in the infrastructure sector in line with the government's effort in embarking on an extensive sewerage capital development programme. Participants in the wastewater industry are made up of many different companies from diverse sectors, mostly consist of civil, structural and M&E companies. ESB is currently building a strong niche market by contracting for sewage treatment projects from property developers.

Barriers to Entry

Barriers to entry for wastewater industry is high due to the following reasons:

- Specialised technology and expertise required
- High start-up cost

4.6.3 Palm Oil Mill Industry

The assessment of the industry in relation to the Group's business in the agro-industrial sector takes into account the trends of Malaysia and Indonesia palm oil industry. The bulk of AID business originates from the two countries and the growth of the industry affects the scope of the Group's business. As planted areas increase additional milling capacity is needed for increased production, thus the added demand for palm oil mills.

Background**World Major Producers of Palm Oil 2001/2002 ('000 tonnes)**

Country	2001	2002 (e)	+/-%	2003 (f)	+/-%
Malaysia	11,804	11,989	1.6	12,249	2.2
Indonesia	7,950	8,850	11.3	9,150	3.4
Nigeria	770	775	0.6	785	1.3
Colombia	548	520	(5.1)	575	10.6
Cote d'Ivoire	247	270	9.3	277	2.6
Thailand	750	650	(13.3)	680	4.6
Papua New Guinea	177	163	(7.9)	168	3.1
Ecuador	240	245	2.1	246	0.4
Others	1,538	1,585	3.1	1,593	0.5
TOTAL	24,024	25,047	4.3	25,723	2.7

Notes:

(e) – estimate

(f) – forecast

Source: (i) Oil World (December 13, 2002), Oil World Annual 2002

(ii) Malaysian Palm Oil Board (for data on Malaysian palm oil and palm kernel oil)

(Source: Review of the Malaysian Oil Palm Industry 2002, Malaysian Palm Oil Board)

4. INFORMATION ON THE SALCON GROUP (Cont'd)

As shown in the table above, Malaysia is the world's largest producer and exporter of palm oil, producing 11.9 million tonnes of crude palm oil in 2002, an increase of 0.9% over year 2001. Indonesia is the second largest producer of palm oil with 9.15 million tonnes per annum. Together, Malaysia and Indonesia account for more than 80% of the world production of palm oil.

Malaysian Palm Oil Sector

In year 2002, total hectareage planted increased by 4.9% to 3.67 million hectares, taking into account new areas identified for the cultivation of oil palm, especially in Sabah and Sarawak. In year 2003, Malaysian production of crude palm oil is expected to increase by 2.5% to 12.2 million tonnes from 11.9 million tonnes in 2002. This is mainly attributed to an increase in the matured area from 3.19 million hectares in 2002 to 3.30 million hectares in 2003, thus resulting in total planted area expanding by 113,407 hectares in 2003.

(Source: Figures derived from Review of the Malaysian Oil Palm Industry 2002, Malaysian Palm Oil Board)

As at end-2002, 409 mills with a total annual capacity of 78.98 million tonnes of FFB were approved and 43 mills with a total capacity of 6.68 million tonnes were under planning and construction. *(Source: Figures derived from Review of the Malaysian Oil Palm Industry 2002, Malaysian Palm Oil Board)* This presents opportunities for the AID in the construction and commissioning of new palm oil mills or upgrading of existing mills.

Indonesian Palm Oil Sector

The recent events in Indonesia created uncertainty over the role which Indonesia will play in meeting the global supply of palm oil. But as part of the International Monetary Fund's initiated reform, the export duty structure that was once very high was reduced to ensure that the palm oil produced finds its market overseas and that the country obtains its much required foreign exchange. In addition, there was always the pressure on the industry to meet domestic demand in view of the fact that Indonesia has a large population of over 220 million people. Nevertheless, the country's production of oil palm is anticipated to trend upwards in line with the increase of relatively new immature areas coming into maturity and as the productivity of the palms increases with age.

(Source: Datuk Dr. Yusof Basiron, "Palm Oil and its Global Supply and Demand Prospects", Malaysian Palm Oil Board, 2002)

Competitors

The agro-industrial industry is very competitive with a few established players dominating the market. Larger players competing in Malaysia and Indonesia include CB Industrial Bhd, Mascot Engineering Sdn Bhd, Besteel Engineering Sdn Bhd, Technomas Engineering Sdn Bhd and PT Palmec.

The players are principally involved in the manufacturing of processing equipment and spare parts for palm oil mills and originally include provision of engineering services, project management and turnkey palm oil mill construction. There are also a few foreign competitors such as De Smet Group of Belgium, which is active in the oleochemical industry.

4. INFORMATION ON THE SALCON GROUP (Cont'd)**Palm Oil Mills - Future Trends**

Over the medium-term, world production and consumption of vegetable oils are projected to increase to about 140 million tonnes due largely to the continued rise in per capita disposable incomes and a demand for improved diets. Palm oil is forecast to become the dominant vegetable oil by around 2020 as palm tree plantations expand into South America, Africa, and Southeast Asia.

In Malaysia, the milling capacity utilisation rate for 2002 declined by 6.85% to 83.82% from 90.67% in 2001, mainly due to the expansion of processing capacity from existing mills as well as from new mills. (*Source: Review of the Malaysian Oil Palm Industry 2002, Malaysian Palm Oil Board*) Nevertheless, as planted areas in Sabah and Sarawak increases, it is anticipated that the demand for new milling capacity will increase in tandem. This is true for Indonesia as well as other palm oil producing countries.

4.6.4 Building Services Division**Construction Sector**

In 1998, output of the industry contracted by 23 per cent, after a robust and double-digit growth rate of 14.2 per cent per year in the period from 1990 to 1997.

As a result of the crisis, some of the investment and activity in the sector halted because of the excess capacity and deferment of major construction projects in the country. Because of the excess capacity and delay in project implementation, output of the industry continued to fall in the first and second quarters of 1999. However, the drop was at a smaller rate of 5.6 per cent which indicated that the construction industry was responding positively to measures to revive the economy in 1999 when the economy turned around with a GDP growth of 5.8 per cent. In 2001, the industry continued to show a promising trend and registered a positive growth of 4.9 per cent compared with 1.0 per cent in 2000.

Growth in the construction sector continued to be bolstered by projects implemented under the fiscal stimulus programme and housing development, thus contributing to a stronger growth of 3.8% in 2002 (2001:2.3%). At the same time, the Government reviewed procedures, rules and guidelines as well as established a special task force to ensure that the implementation of public and privatised projects are carried out as scheduled and, therefore, produce the intended impact.

(*Source: Economic Report 2002/2003*)

In 2002, growth in the construction sector was maintained at 2.3%. This growth was mainly supported by higher government expenditure on infrastructure projects and household demand for residential property.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

In the civil engineering sub-sector, growth was stimulated by higher Federal Government development expenditure on construction-related projects, especially for projects related to the transportation, education, housing and public utilities sub-sector. One of the major ongoing public projects is the electrified double tracking of the railway track between Rawang and Ipoh. Privatised road projects such as the Kajang Ring Road, Butterworth Outer Ring Road, Guthrie Corridor Expressway, New Pantai Highway, Package C of the SPRINT Expressway and the Kajang-Seremban Expressway further supported activity in the construction sector. Ongoing projects were related to the construction of power plants, rail, ports and sewerage projects.

(Source: Bank Negara Malaysia Annual Report 2002)

Future Trends

The construction sector is forecast to record a higher growth of 4.5% in 2003 from 3.8% in year 2002. Public sector projects in health and education as well as rural development would continue to drive the sector. Massive projects like the Bakun Hydro-electric Dam and the on-going double tracking rail projects will further drive the sector. Housing development would also contribute to growth in view of increasing demand for low and medium cost houses.

There are several indicators pointing to a further rebound in the confidence in the construction industry. These indicators include higher number of sales and advertising permits, rise in the number of houses approved, increase production of construction materials, higher new loans approved to the construction sector and higher import of construction materials and minerals.

(Source: "Market Watch Malaysia 2003 – Construction Industry", The Malaysian-German Chamber of Commerce and Industry website, www.mgcc.com.my)

Furthermore, with the Government's continuing effort to allocate more funds for spending in this sector, the construction sector will continue to achieve positive growth, giving rise to opportunity in the construction related products, equipment and services supply chain.

4.7 Details of Major Licences and Permits

The major licences and permits held by the Salcon Group are listed in Section 7.

4.8 Major Customers

Being in business for over 28 years, the Group has an extensive clientele base both public and private sectors/enterprises, and thus is not over dependent on any single customer.

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4. INFORMATION ON THE SALCON GROUP (Cont'd)

For the six(6) months ended 31 January 2003, 72.39% of total revenue was generated from the top six(6) customers as follows:

No.	Major Customer	Revenue for the 6 months ended 31 Jan 2003	Length of Relationship
		% of Revenue	Years
1.	Perbadanan Air Melaka	24.45	>5
2.	Active Review (M) Sdn Bhd	20.23	2
3.	Jabatan Bekalan Air Negeri Sembilan	10.31	3
4.	Lembaga Air Perak	8.17	>5
5.	Trans MSB Sdn Bhd	4.76	>5
6.	Pembinaan Tegup Tunas Sdn Bhd	4.47	>3
	Total	72.39	

The Salcon Group's business is on a project to project basis, that varies in value from time to time. Thus, the Salcon Group may have certain projects that may contribute significantly to its turnover and profit at certain times or periods. Based on its proven record in procuring new projects, a healthy level of projects is always maintained, thus ensuring a stable generation of income.

4.9 Major Contractors/Suppliers

The Group is not dependent on any single supplier for products/services purchased. The Group has established long term relationships with some of its major suppliers over the past 28 years.

For the six(6) months ended 31 January 2003, the list of top ten(10) suppliers are as follows:

No.	Major Suppliers	Products/Services Provided	Purchases for the 6 months ended 31 Jan 2003	Length of Relationship
			% of Cost of Sales	Years
1.	Trans MSB Sdn Bhd	Civil Works – Water Treatment Plants	13.83	>5
2.	Ondeo Degremont (M) Sdn Bhd	Process equipment supplier	5.82	>5
3.	Toroshima Pump Manufacturing Ltd	Pumps	4.12	>2
4.	Sam McCoy Engineering Sdn Bhd	Pumps	1.84	>5
5.	YMC Technologies Sdn Bhd	Butterfly valves	1.27	>2
6.	Rotork (M) Sdn Bhd	Actuators	1.17	>5
7.	SAE Electrical & Trading Sdn Bhd	Electrical works	0.76	>4
8.	Nasmech Technology Sdn Bhd	Fabricator works	0.47	>3
9.	Visage Engineering Sdn Bhd	Civil Works – Water Treatment Plants	0.43	>3
10.	Petro-Pipe Industries (M) Sdn Bhd	Pipes	0.41	>4

4. INFORMATION ON THE SALCON GROUP (Cont'd)

4.10 Future Plans and Strategies of the Salcon Group

The Salcon Group is actively moving towards expanding the scope of its business from merely an engineering based turnkey contractor to become a Total Solutions Provider in the water sector. To achieve this end, Salcon is positioning itself as a developer, Engineering, Procurement and Construction ("EPC") contractor and an O&M operator in the water and wastewater treatment industry.

The Salcon Group's role(s) in each project will vary depending on the size and nature of each project.

The management's plans and strategies for the various business units are as follows:

Water and Environmental Division

The Salcon Group will participate actively in the water infrastructure projects for domestic and regional markets. The strategies include:

- (i) To actively pursue water privatisation projects in Malaysia and other countries in Asia as well as O&M works. The opportunities are from both new capital works as well as from upgrading and refurbishment works.
- (ii) To become a one-stop solutions provider for water schemes by providing engineering and contracting services which include the design and construction of water treatment plants, refurbishment and upgrading as well as O&M of existing facilities.
- (iii) The Salcon Group will participate actively in the downstream activities which include transmission and distribution of water to consumers as well as new market segments such as NRW works.

Wastewater Division

To actively pursue wastewater/ sewerage projects throughout South East Asia in the areas of capital development of new sewage treatment plants, sewer networks and sludge treatment and disposal facilities; refurbishment, upgrading, O&M of existing sewage treatment plants and development of new sewage treatment plants for property developers, sewerage concessionaires and government municipalities.

Agro-Industrial Division

- (i) To continue pursuing palm oil mill projects in the South East Asian region, in particular in Malaysia and Indonesia by tapping on opportunities in these countries.
- (ii) To make inroads into the non-traditional markets particularly in India.

Building Services Division

- (i) To provide M&E services to the Salcon Group.
- (ii) To become a recognised contractor in the provision of M&E services to general industries through undertaking various works in project management, maintenance services, co-ordination and site management as well as planning and implementation of M&E related projects.

4. INFORMATION ON THE SALCON GROUP (Cont'd)

Trading Services Division

- (i) To develop synergistic support to the Salcon Group by supplying the necessary equipment for the other business units. Generic expansion will be led by marketing of equipment to the palm oil sector and water particularly in the ASEAN region.
- (ii) To provide value-added services to clients through the supply of key equipment and the provision of after-sales services on equipment sold.

4.11 Settlement of Amount Owing to SEB

The amount due from related companies of the SEB Group namely, KEB and its subsidiary companies resulting from non-trade transactions as at 15 July 2003 is RM17,999,324.26. As at 15 July 2003, the amount owing by Sejati Builders Sdn Bhd, being a related company to the directors of SEB Group prior to 30 December 2002, resulting from non-trade transactions is RM1,148,575. These amount have no fixed terms of repayment and are either interest free or subject to interest at prevailing market rates.

KEB and Sejati Builders Sdn Bhd have vide their letters dated 1 October 2002 and 8 October 2002 respectively, given their undertaking that they will repay the outstanding balances within fourteen(14) days from the date of listing of Salcon on the KLSE.

In respect of trade debtors which exceed the six(6) months credit period, provisions will be made save and except for amount owing by the government and debtors where settlement arrangements are in place. Full and immediate provisions for the debts owing by the government and debtors where settlement arrangements are in place will be made as soon as the SEB Group is aware that the collectibility of the said debts are doubtful.

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5. RESTRUCTURING EXERCISE OF SHCB AND ESOS

5.1 Background Information on SHCB

SHCB was incorporated on 4 February 1960, as a limited company known as Seng Hup Electric Company Limited. Upon the introduction of the Companies Act 1965, Seng Hup Electric Company Limited changed its name to Seng Hup Electric Company Sdn Bhd. Subsequently on 30 August 1991, Seng Hup Electric Company Sdn Bhd converted its status into a public limited company under the name of Seng Hup Electric Company Bhd.

SHCB was listed on the Second Board of the KLSE on 30 September 1992. In 1995, SHCB adopted its present name, Seng Hup Corporation Bhd.

The authorised share capital of SHCB is 30,000,000 ordinary shares of RM1.00 each, out of which 19,998,000 ordinary shares of RM1.00 each have been issued and fully paid-up as at 28 July 1992.

SHCB has investment in ten(10) subsidiary companies and two(2) associated companies. SHCB and its subsidiary companies were principally engaged in the business of lighting equipment and related products and property investment.

On 9 September 1999, Mr Tan Kim Leong, JP and Mr Siew Kah Toong of BDO Binder were appointed as Special Administrators pursuant to Section 24 of the Pengurusan Danaharta Nasional Act 1998 to, inter-alia, manage the assets and affairs of SHCB.

On 27 August 2002, SHCB announced that it has entered into a Principal Agreement ("PA") with KEB, for the proposed acquisition of the entire issued and paid-up share capital of SEB, a subsidiary of KEB, from KEB and the other shareholders of SEB by a new company to be incorporated, to regulate and record the basic understanding of the key areas of agreement pending finalisation and approval of the workout proposal prepared by the SA, pursuant to Section 44 of the Pengurusan Danaharta Nasional Act 1998 as amended ("Workout Proposal").

On 30 September 2002 and 13 December 2002, SHCB entered into supplemental principal agreements with KEB ("Supplemental PA") to amend, modify and/or vary the PA. On 30 September 2002, a conditional sale and purchase agreement was entered into between KEB, MASB, ETSB, Salcon and SHCB for the Acquisition.

5.2 Restructuring Exercise

As part of the Restructuring Exercise of SHCB, the listing status of SHCB will be transferred to Salcon and subsequently Salcon will seek a transfer of the listing of and quotation for Salcon Shares from the Second Board to the Main Board of the KLSE upon completion of the Restructuring Exercise.

The Restructuring Exercise involves the following:

- (i) Share exchange by Salcon of the entire issued and paid-up share capital of SHCB involving the issuance of 833,250 new Salcon Shares to the existing shareholders of SHCB at an issue price of RM0.50 per Salcon Share on the basis of one (1) new Salcon Share for every twenty four (24) ordinary shares of RM1.00 each in SHCB held;
- (ii) Acquisition by Salcon of the entire issued and paid-up share capital of SEB from KEB, MASB and ETSB for a total consideration of RM80,198,000 satisfied by the issuance of 160,396,000 new Salcon Shares at an issue price of RM0.50 per Salcon Share;

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

- (iii) Exemption to KEB, MASB, and ETSB from the obligation to extend an unconditional mandatory general offer for all the remaining Salcon Shares not already owned by them in Salcon after the Acquisition;
- (iv) Public issue by Salcon of 29,200,000 new Salcon Shares at an issue price of RM1.20 per Share as set out in Section 2.3 of this Prospectus;
- (v) Offer for sale by the Offerors of 17,920,000 Salcon Shares at an offer price of RM1.20 per Share as set out in Section 2.3 of this Prospectus;
- (vi) Debt settlement to SHCB's creditors for the outstanding debts due from SHCB to such creditors;
- (vii) Transfer of listing status of SHCB on the Second Board of the KLSE to Salcon;
- (viii) Sale of the assets and business of SHCB and Crystal Palace Lighting (M) Sdn Bhd, a wholly owned subsidiary of SHCB;
- (ix) Disposal of the entire issued and paid-up share capital of SHCB to a special purpose vehicle for a consideration of RM1.00 and the subsequent liquidation of SHCB and all of its subsidiaries; and
- (x) Transfer of the listing of and quotation for Salcon Shares to the Main Board of the KLSE.

5.3 ESOS

The SC and the existing shareholders of Salcon had, on 26 December 2002 and 22 July 2003 respectively, approved the ESOS.

An extract of the salient features of the ESOS By-Laws (*the details and definitions of which are set out in the By-Laws attached herewith as Section 13*), are as follows:

5.3.1 Maximum Number of Shares Allowable Under the Scheme**By-Law**

- 3.1 *The maximum number of new Salcon Shares which may be available under the Scheme shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any point in time of granting of the Options during the existence of the Scheme as referred to in Clause 19 hereof or such additional number that maybe permitted by the SC during the duration of the Scheme.*
- 3.2 *By-Law 3.1 shall not apply where the total number of new Salcon Shares which may be made available under the Scheme exceeds ten per cent (10%) of the issued and paid-up share capital of the Company during the existence of the Scheme resulting from the cancellation of the Company's own Shares purchased by the Company in accordance with the provisions of Section 67A of Companies Act, 1965. In such event, the provisions of By-Law 14.3 (d) shall be complied with and the Options shall remain valid and exercisable in accordance with the By-Laws of the Scheme.*
- 3.3 *The Company will during the Option Period keep available sufficient authorised and unissued shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.*

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

5.3.2 Eligibility

By-Law

4.1 Subject to the discretion of the Option Committee, any employee who is a citizen or resident of Malaysia (including an Executive Director) or a foreigner of a member of the Salcon Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:

- (a) has attained the age of eighteen(18) years;
- (b) is employed by a member of the Salcon Group (provided the member is not dormant) and has served such member of the Salcon Group for a continuous period of at least one (1) year and whose service of employment has been confirmed in writing. In the case of an Executive Director, he must be involved in the day to day management and is on the payroll of a member of the Salcon Group (provided the member is not dormant); and
- (c) is not a participant of or has not been offered option(s) under any other employees' share option scheme implemented by any other member of the Salcon Group which is in force for the time being.

In addition, where an employee (including an Executive Director) is serving under a fixed term employment contract, the contract must be for a duration of at least three (3) years and must be confirmed in writing.

4.2 Each Executive Director can be offered options under more than one Scheme depending on his sitting on the board of directors.

5.3.3 Offer

By-Law

5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its discretion select, to subscribe during the Option Period for new Salcon Shares in accordance with the terms of the Scheme.

5.2 Nothing herein shall prevent the Option Committee from making more than one Offer to any Eligible Employee provided always that, the total aggregate number of new Salcon Shares to be so allotted to any Eligible Employee shall not be less than one hundred (100) new Salcon Shares and shall always be in multiples of one hundred (100) Salcon Shares. In any case, any eligible Executive Director's maximum entitlement shall be based on one sitting only irrespective of his sittings on more than one board within the Group.

5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new Salcon Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new Salcon Share and the closing date for acceptance of the Offer.

5.4 No Option shall be granted to any Executive Director of the Company unless specific grant of Options to that Executive Director shall have previously been approved by the shareholders of the Company in a general meeting.

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

- 5.5 With the exception to Sub-Clause 10.2, the Offer shall automatically lapse and be null and void in the event of the Eligible Employee ceasing to be employed by the Salcon Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.

5.3.4 Maximum Allowable Allotment and the Basis of Allotment

By-Law

- 6.1 Subject to Sub-Clause 3.1 hereof, the allocation to the eligible Executive Directors and senior management shall not exceed 50% of the new Salcon Shares available under the Scheme provided that the allocation is equitable throughout the various categories of employees. In addition, not more than 10% of the new Salcon Shares available under the Scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates, holds 20% or more of the issued and paid-up capital of the Company.

- 6.2 Subject to any adjustments which may be made under Clause 14 hereof, the maximum number of new Salcon Shares that may be offered and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee taking into consideration the performance, seniority and years of service of the Eligible Employee and no maximum allowable allotment to each Eligible Employee shall be fixed, subject always to Clause 3 hereof and the provisions of the SC Guidelines on ESOS relating to allocations to directors and employees.

In the circumstances where the maximum allowable allotment as provided in the SC Guidelines on ESOS is amended by the SC from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new Salcon Shares that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the SC Guidelines prevailing during the Option Period.

5.3.5 Option Price

By-Law

7. The Option Price at which a Grantee is entitled to subscribe for each new Salcon Share shall be at a discount of not more than 10% from the five(5) day weighted average market price of Salcon Shares immediately preceding the Offer Date of the Option or at the par value of Salcon Shares, whichever is higher.

5.3.6 Acceptance of the Offer

By-Law

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty(30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM1.00) as non-refundable consideration for the grant of the Option.
- 8.3 Within fourteen(14) days after the due acceptance of the Offer in accordance with the provisions of Sub-Clauses 8.1 and 8.2 hereof, the Option Committee shall issue to the Grantee a certificate of Option in such form as may be determined by the Option Committee from time to time.
- 8.4 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever except as specified in By-Law 10.6.
- 8.5 The Option may be cancelled at the discretion of the Grantee by notice in writing to the Option Committee.

5.3.7 Exercise of Options

By-Law

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed form during normal business hours on the first Market Day of each week or as may be amended from time to time by the Option Committee during the Option Period in respect of all or any part of the new Salcon Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Salcon Shares comprised therein, the number of new Salcon Shares of which such Option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).
- 9.2 Subject to Clause 14 hereof, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Salcon Shares and/or such percentage of the total new Salcon Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.
- The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Salcon Shares comprised in the Option.
- Any new Salcon Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.
- 9.3 Every such written notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new Salcon Shares in respect of which notice is given. Within ten(10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Salcon Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the MCD.

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

- 9.4 *A Grantee who exercises his Option shall provide the Option Committee with the valid CDS account number, in the notice referred to in Sub-Clause 9.1. The new Salcon Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.*
- 9.5 *No Options shall be exercisable after the expiry of the Option Period.*
- 9.6 *In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT:*
- (a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with Clause 19 hereof;*
 - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; and*
 - (c) in the event such Grantee is found guilty but not dismissed or termination of service is recommended, the Option Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Option or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise.*
- 9.7 *Notwithstanding the provisions of Sub-Clause 9.3, the Board, the Option Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable to any person for any cost, loss, expense, damages or liabilities, gains or profits foregone whatsoever or howsoever arising in any event relating to the delay on the part of the Company in procuring the KLSE to list the Shares subscribed for by a Grantee or for any delays in crediting the Shares into the Grantee CDS account or any other matter or dealing which is outside the control of the Company.*
- 9.8 *Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Sub-Clauses 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.*

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

9.9 Every Option shall be subject to the condition that no new Salcon Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.

9.10 The Company will undertake to keep available sufficient unissued Salcon Shares to satisfy all outstanding Options.

5.3.8 Ranking of New Salcon Shares

By-Law

16. The new Salcon Shares to be allotted upon any exercise of any Options granted shall upon allotment and issue, rank *pari passu* in all respects with the existing Salcon Shares PROVIDED ALWAYS that the new Salcon Shares so allotted will not be entitled to any dividends, rights, allotments and/ or other distributions declared prior to the allotment and issue unless such new Salcon Shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with the MCD and requested by the Company from the MCD for the purpose of determining persons entitled to such dividends, rights, allotments, and/ or distributions in accordance with the Company's Articles of Association.

5.3.9 Duration of the Scheme

By-Law

19.1 The Scheme shall come into force upon obtaining the following approvals:

- (a) the SC;
- (b) the KLSE for the listing of and quotation for the new ordinary shares to be issued pursuant to the exercise of Options;
- (c) the shareholders of the Company in general meeting;
- (d) the fulfilment of any conditions attached thereto and upon the adviser submitting to the SC the following additional requirements:
 - i. Final copy of the By-Laws of the Scheme; and
 - ii. Confirmation letter from the adviser confirming that the Company:
 - (A) has fulfilled the SC's conditions of approval for the Scheme and that the By-Laws do not contravene the Guidelines on Employee Share Option Schemes as stipulated under the "Policies and Guidelines on Issue/Offer of Securities ("Issues Guidelines"); and
 - (B) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed therein.

5. RESTRUCTURING EXERCISE OF SHCB AND ESOS (Cont'd)

The date of the confirmation letter submitted by the adviser would signify the effective date for the launch/implementation of the Scheme ("Effective Date"). The scheme shall be in force for a duration of five(5) years from the Effective Date . The Company may, if the Board and the Option Committee deem fit, extend the Scheme for another five(5) years. Such extended Scheme shall be implemented in accordance with the terms of the By-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty(30) days prior to the expiry of the Scheme.

19.2 Offers can only be made during and not after the duration of the Scheme."

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

6.1 Promoters and Substantial Shareholders

6.1.1 Particulars and Shareholdings

Name/Company	After the Public Issue and Offer for Sale*			
	Direct	%	Indirect	%
KEB	70,551,960	36.89	-	-
MASB	44,368,800	23.20	-	-
ETSB	27,555,240	14.41	-	-
Tan Sri Razali Ismail	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Abdul Nasir Bin Adnan	40,000	-	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	45,000	0.02	27,555,240 ⁽³⁾	14.41
Jaggit Singh a/l Tara Singh	45,000	0.02	27,555,240 ⁽³⁾	14.41

Notes:

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

(1) Deemed interested by virtue of their substantial shareholdings in MASB

(2) Deemed interested by virtue of his substantial shareholdings in KEB

(3) Deemed interested by virtue of their substantial shareholdings in ETSB

KEB

KEB was incorporated on 8 August 1973 in Malaysia under the Companies Act, 1965. As at 15 July 2003, KEB has an authorised share capital of RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each of which RM229,836,469 divided into 459,672,938 ordinary shares of RM0.50 each have been issued and paid-up. The principal activities of KEB are investment holding and provision of management services.

The directors and substantial shareholders and their respective shareholdings in KEB as at 15 July 2003 are as follows:

Name	Nationality/ Place of Incorporation	Direct interest		Indirect interest	
		No. of shares	%	No. of shares	%
Directors					
Dato' (Dr) Teoh Seng Foo	Malaysian	1,902,000	0.41	61,007,000*	13.27
Kee Lian Yong	Malaysian	-	-	-	-
Lee Teik Yang	Malaysian	-	-	-	-
Mohamed Saleh bin Gomu	Malaysian	-	-	-	-
Theng Book	Malaysian	-	-	-	-
Dato' Dr Loga Bala Mohan a/l Jaganathan	Malaysian	-	-	-	-

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Nationality/ Place of Incorporation	Direct interest No. of shares	%	Indirect interest No. of shares	%
Substantial shareholders					
Meda Capital Sdn Bhd	Malaysia	61,007,000	13.27		
Dato' (Dr) Teoh Seng Foo	Malaysian	1,902,000	0.41	61,007,000*	13.27
Teoh Seng Aun	Malaysian	4,000,000	0.87	61,007,000*	13.27
Teoh Seng Kian	Malaysian	-	-	61,007,000*	13.27

Note:

* Deemed interested by virtue of their substantial shareholdings in Meda Capital Sdn Bhd

MASB

MASB was incorporated in Malaysia on 21 February 2002 under the Companies Act, 1965. As at 15 July 2003, MASB has an authorised share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each of which RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each have been issued and paid-up. The company is principally an investment holding company.

The directors and substantial shareholders and their respective shareholdings in MASB as at 15 July 2003 are as follows:

Name	Nationality	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
Tan Sri Razali Bin Ismail	Malaysian	600,000	60.0	-	-
Abdul Nasir Bin Adnan	Malaysian	400,000	40.0	-	-

ETSB

ETSB was incorporated on 7 May 1997 in Malaysia under the Companies Act, 1965. As at 15 July 2003, ETSB has an authorised share capital of RM100,000 divided into 100,000 ordinary shares of RM1.00 each of which RM100,000 divided into 100,000 ordinary shares of RM1.00 each have been issued and paid-up. The company is principally an investment holding company.

The directors and substantial shareholders and their respective shareholdings in ETSB as at 15 July 2003 are as follows:

Name	Nationality	Direct interest No. of shares	%	Indirect interest No. of shares	%
Dato' Lim See Teok	Malaysian	76,000	76.0	-	-
Jaggit Singh A/L Tara Singh	Malaysian	24,000	24.0	-	-

KEB and MASB are investors in Salcon. Dato' Lim See Teok is the Chief Executive Officer of Salcon and has been actively managing SEB for the past five(5) years. Jaggit Singh is the director of the Water & Environmental Division and has more than twenty(20) years of water engineering experience.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

6.1.2 Changes in shareholdings in the Company for the past three(3) years

Save for Section 1.2 of this Prospectus, there are no significant changes of the Promoters' and substantial shareholders' shareholdings in the Company for the past three(3) years preceding the date of this Prospectus.

6.2 Directorships and Substantial Shareholdings of Promoters and Substantial Shareholders in All Other Public Companies for the Past Two Years Preceding 15 July 2003

Save as disclosed below, none of the Promoters and substantial shareholders have any substantial shareholdings in other public companies for the past two years preceding 15 July 2003:

KEB

Company	Direct Interest		Indirect Interest	
	No. of shares held	% held	No. of shares held	% held
Tomisho Holdings Berhad	6,019,000	14.48	500,000*	1.20
SEG International Bhd	21,520,025	27.19	2,235,000*	2.82
Meda Inc. Berhad	14,212,016	3.33	48,394,992*	11.33
SEB	10,200,000	51.00^	-	-

Notes:

* Indirect interest held through Sawitani Sdn Bhd

^ By the Sale and Purchase Agreement dated 19 November 1999 and subsequent supplemental agreements between ETSB and KEB, ETSB has agreed to purchase 3,800,000 fully paid ordinary shares of RM1.00 each in the capital of SEB constituting 19% of the entire issued and paid-up capital of SEB, the whole of which are charged to Southern Bank Berhad. The purchase was completed on 17 July 2003

MASB

Company	Direct Interest		Indirect Interest	
	No. of shares held	% held	No. of shares held	% held
SEB	6,000,000	30.0	-	-

6.3 Board of Directors

6.3.1 Particulars and Shareholdings

Name	Designation	Nationality	No. of Shares held after Public Issue and Offer for Sale*			
			Direct	%	Indirect	%
Tan Sri Razali Ismail	Chairman	Malaysian	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	Vice Chairman	Malaysian	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	Chief Executive Officer	Malaysian	45,000	0.02	27,555,240 ⁽³⁾	14.41

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Name	Designation	Nationality	No. of Shares held after Public Issue and Offer for Sale*			
			Direct	%	Indirect	%
Mr. Jagjit Singh a/l Tara Singh	Executive Director	Malaysian	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr Foo San Kan	Independent Non-Executive Director	Malaysian	45,000	0.02	-	-
Dato' Dr Freezailah Bin Che Yeom	Independent Non-Executive Director	Malaysian	45,000	0.02	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	Independent Non-Executive Director	Malaysian	45,000	0.02	-	-

Notes:

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

(1) Deemed interested by virtue of his substantial shareholdings in MASB

(2) Deemed interested by virtue of his substantial shareholdings in KEB

(3) Deemed interested by virtue of their substantial shareholdings in ETSB

6.3.2 Profiles of Directors

Tan Sri Razali Ismail – Chairman, Non-Independent Non-Executive Director

BA (Hons), University of Malaya

Appointed on 21 July 2003. Tan Sri Razali Bin Ismail, aged 64, holds a Bachelor of Arts (Honours) from University of Malaya.

He is presently the Special Adviser to the Prime Minister, YAB Datuk Seri Dr Mahathir Mohamad, appointed Panel Member of the Board of Advisers for National Unity for 2000-2002, Chairman of Yayasan Salam (the Malaysian Peace Corps) and Chairman of a few other companies dealing with project development, chip technology, engineering, insurance and the environment. He is also a Chairman of the Malaysian Wetlands Foundation, Paya Indah Wetlands Sanctuary. He is an Honorary Fellow of the Institute for Environment and Development of the National University of Malaysia and appointed the Pro-Chancellor of University Sains Malaysia, Penang for the term from July 2001-2006. He is a Founding Member of the first Governing Council of War-torn Societies Project International based in Geneva in April 2000 and has been the United Nations Secretary-General's Special Envoy for Myanmar since April 2000. He was conferred Honorary Doctorate of Law by Universiti Kebangsaan Sarawak in August 2002 and appointed as President of World Wide Fund (WWF) Malaysia for a 5-year term with effect from 1 July 2003.

Tan Sri joined the Ministry of Foreign Affairs in 1962 and held various offices in India (1963-1966), France (1966-1968), the United Kingdom (1970-1972) and Laos (1974-1976). He was appointed Ambassador to Poland in 1978 with concurrent accreditation to the then German Democratic Republic, Czechoslovakia and Hungary before serving as the High Commissioner to India in 1982. He was made a Deputy Secretary-General of Political Affairs in the Ministry of Foreign Affairs in 1985.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

As the Permanent Representative of Malaysia to the United Nations from 1988 to 1998 and concurrent Ambassador to Cuba, Jamaica, Saint Lucia, Barbados, Trinidad and Tobago, Tan Sri served in various capacities in the World Body and was actively involved in several bodies, both within and outside the United Nations system, especially those dealing with development, the environment, human rights and reform of the United Nations. From 1989 to 1990, he headed the Malaysian delegation to the UN Security Council and served as its President, in June 1989 and again in July 1990. In 1989, he was Chairman of the Group of 77. He was elected Chairman of the Commission on Sustainable Development in 1993. Tan Sri was President of the Fifty-first Session of the United Nations General Assembly, 1996-1997. He received the first Elizabeth Haub Prize for Environmental Diplomacy by Pace University, New York in May 1999 and was conferred a Fellow of the Institut Tadbiran Awam Negara ("INTAN") in May 1999. He was conferred the "Ordre National du Merite" (National Order of Merit) by the French Government in November 2000. Presently, he is a director of several public listed companies (as shown in Section 6.3.3 of this Prospectus) and private limited companies.

Dato' (Dr) Teoh Seng Foo – Vice Chairman, Non-Independent Non-Executive Director

CA (M), FCMA (UK), DBA

Appointed on 21 July 2003. Dato' (Dr) Teoh Seng Foo, aged 47, is a Chartered Accountant of the Malaysian Institute of Accountants and a Fellow of the Chartered Institute of Management Accountants (UK). He was conferred the Honorary Doctorate in Business Administration by the University of Abertay, Dundee, United Kingdom on 2 November 2002.

He has vast experience in commerce and industry, having held senior management positions in multi-nationals such as Intel Technology, Woodward & Dickerson Inc, Tan Chong Motor Holdings Berhad, PricewaterhouseCoopers (formerly known as Coopers & Lybrand) and Esquel Group. In the years of his career, he is involved in several entrepreneurial and business development projects locally and overseas.

Presently, he is a director of several public listed (as shown in Section 6.3.3 of this Prospectus) and private limited companies.

Dato' Lim See Teok - Chief Executive Officer, Executive Director

MBA, CA (M)

Appointed on 21 July 2003. Dato' Lim See Teok, aged 45, is the Chief Executive Officer of the Salcon Group. An Accountant by profession, he obtained his Master in Business Administration (General Management) from the University of Bath, United Kingdom in 1991. Prior to joining SEB, his experience included many solid years in General Management, International Marketing as well as Finance and Operations with multi-national organisations and Malaysian conglomerates. Since joining SEB in 1997, Dato' Lim has steered the company towards becoming a regional player in water engineering in the Asian region.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Mr. Jaggit Singh a/l Tara Singh – Executive Director *BE (Mech) University of Roorke, India*

Appointed on 21 July 2003. Mr. Jaggit Singh, aged 55, is a qualified Mechanical Engineer by profession. He started his career as a lecturer and subsequently proceeded to be a project engineer. To date he has more than 25 years of experience in the design and execution of water treatment and pumping projects for the public sector. He joined SEB in 1980 and currently heads the WED.

Over the past two decades Mr. Jaggit has actively participated and provided his expertise in the design, construction, commissioning, testing and handover of numerous large water supply projects in Malaysia and overseas. One of his notable achievement in Malaysia includes the implementation of the first water BOT project in Malaysia, the privatisation of Greater Ipoh Water Supply Scheme (Phase II) involving sourcing, treatment and supply of water to Lembaga Air Perak. He also led the team in the Binh An Water Supply Project where SEB is a lead partner in the first operational water BOT project in the Republic Socialist of Vietnam.

Mr. Jaggit also led the design and implementation of the first Integrated Dissolved Air Flootation System in Malaysia, utilising state-of-the-art technology in plant design as well as the largest sludge de-watering plant for the Johor River Water Supply Plant under the Public Utilities Board, Singapore.

Mr. Foo San Kan – Independent Non-Executive Director *FCA(E&W), CPA, CA, FITT*

Appointed on 21 July 2003. Mr. Foo San Kan, aged 54, is a Chartered Accountant of the Malaysian Institute of Accountants. He is also a member of the Malaysian Institute of Certified Public Accountants, a fellow of the Institute of Chartered Accountants in England and Wales as well as the Malaysian Institute of Taxation.

Prior to his retirement at the end of 2002, Mr. Foo was the Managing Partner of Ernst & Young in Malaysia and its related firms from 1997 to 2002. He has 34 years of experience in the profession and has spent the last 29 years in various positions in the firm. During the course of his career, he was involved in various industries sectors including financial services, energy, utilities, plantations, property, construction, communications and entertainment. His professional experience covers almost all aspects of the accounting profession, including but not limited to audit, receivership, liquidation, taxation, secretarial, corporate advisory and management consultancy and all services related to the Labuan Offshore Financial Services Authority (LOFSA). As a Trust Officer and Auditor and Liquidator approved by the LOFSA, he was involved in the setting up and administration of offshore trust for clients, advising corporate structure, capital restructuring and liquidation involving offshore entities.

He is currently a director of Symphony House Berhad, a company listed on the MESDAQ Board of the KLSE, OSK-Signet Trustees Berhad and several other private limited companies in Malaysia.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Dato' Dr. Freezailah Bin Che Yeom (B.S.K, K.M.N, S.A.P, J.S.M, D.S.D.K, P.G.B.K) – Independent Non-Executive Director
PhD (Ecology), BSc (Forestry)

Appointed on 21 July 2003. Dato' Dr. Freezailah, aged 63, holds a First Class Honours degree in Forestry and a Doctor of Philosophy in Ecology from Edinburgh University, United Kingdom.

Dato' Dr. Freezailah has more than 40 years of experience in various fields of the forestry sector including holding several senior management positions. In 1987 he was elected to serve as the founding Executive Director of the UN-Sponsored International Tropical Timber Organisation (ITTO) based in Yokohama, Japan with the rank of Assistant Secretary-General on the UN-Scale. He provided leadership to the 57-member-country ITTO and nurtured its growth and development into a respected global body to promote the conservation, sustainable management and utilisation of the world's tropical forests. In recognition of his contributions to the forestry sector, the ITTO created the "Freezailah Fellowship Fund" on his retirement in 1999 and was conferred "Award of Excellence" by the Commonwealth Forestry Association and the Government of Japan among others. Dato' Dr. Freezailah is a Fellow of the Institute of Foresters Malaysia and Honorary Member of the Society of American Foresters. He has also addressed many important forestry fora.

Dato' Dr. Freezailah is currently Chairman of the Malaysian Timber Certification Council. He is active in various national and international organisations and initiatives dealing with forestry, conservation, environmental issues and related technological advances.

Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas – Independent Non-Executive Director

Appointed on 21 July 2003. Son of Dato' Seri Dr Hj Megat Khas Megat Omar, one of the country's first Malay doctors, Megat Najmuddin, aged 58, received his first education at Sekolah Melayu Jalan Douglas, and Anderson Primary, Ipoh. In 1957, he was accepted into the Malay College Kuala Kangsar and completed his Higher School Certificate in 1964. He continued his studies at the University of Singapore and graduated with an Honours in Law in 1970. During his school and university years, he was active in sports and student activities. At the university, he was Captain of the rugby team. He also represented Perak and Singapore and later Selangor and Malaysia in rugby. He soon started his own law firm Megat Najmuddin, Leong & Co. and practised with the firm until his retirement in 1986 due to business and political commitments.

Megat Najmuddin was elected to the Selangor State Legislative Assembly for two terms 1986 – 1990 and 1990 – 1995 for the Kelana Jaya Constituency. For ten years (1985 – 1994) he held the post of Head of the UMNO Petaling Jaya Division and the UMNO Subang Division for 1994/5. He led the Petaling Jaya and Subang Barisan Nasional Election Campaign from 1982 until 1995. Now he is concentrating more on family and business matters. He has retired from being the Permanent Chairman of UMNO Subang as well as being a municipal councillor. He presently sits on the UMNO Appeal Committee which advises UMNO Malaysia on disciplinary appeals. He was a Majlis Perbandaran Petaling Jaya / Majlis Perbandaran Subang Jaya Councillor for 20 years. He is now most active in the corporate sector and holds several important posts.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Dato' Seri Megat was appointed Executive Committee Member of the Federation of Public Listed Companies Berhad in August 1994 and elected President in October 1997. He represents this organisation in the High Finance Committee of the Ministry of Finance.

He was also one of the first members of the Management Committee of the Malaysian Institute of Corporate Governance, and was elected President in April 1998.

He was appointed as member of the 2nd National Economic Consultative Council 2 by the Prime Minister, where he is a member of the Human Resources Development Committee. In September 1999, he was appointed to the Capital Market Strategic Committee by the Finance Minister to produce the Capital Market Master Plan which was released early 2001. He was a member of the Corporate Debt Restructuring Committee. He is also a member of the Securities Commission's Capital Market Advisory Council. At the KLSE, he is a director of Securities Clearing Automated Network Services Sdn Bhd and Malaysian Share Registration Services Sdn Bhd. He also sits on various sub-committees of the KLSE.

Presently, he is a director of several public listed (as shown in Section 6.3.3) and private companies.

6.3.3 Directorships and Substantial Shareholdings of Directors in All Other Public Companies for the Past Two Years Preceding 15 July 2003

Save as disclosed below, none of the Directors have any directorships nor substantial shareholdings in other public companies for the past two (2) years preceding 15 July 2003:

Director	Company	Date of appointment/ (Date of resignation)	Direct		Indirect	
			No. of shares held	% held	No. of shares held	% held
Tan Sri Razali Bin Ismail	DKLS Industries Bhd	16.09.1999 (31.03.03)	500,000	0.61	-	-
	Leader Universal Holdings Berhad	16.09.1999	1,106,000	0.25	-	-
	Allianz General Insurance Malaysia Berhad (formerly known as Malaysia British Assurance Berhad)	25.09.2001	-	-	-	-
	IRIS Corporation Berhad	02.05.2002	118,846,667	14.25	-	-
	PLUS Expressways Berhad	06.05.2002	40,000	-	-	-
	Wah Seong Corporation Berhad	22.05.2002	200,000	0.06	-	-
	Transwater Corporation Berhad	29.04.1998 (16.12.2001)	-	-	-	-

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Director	Company	Date of appointment/ (Date of resignation)	Direct		Indirect	
			No. of shares held	% held	No. of shares held	% held
Dato' (Dr) Teoh Seng Foo	SEG International Bhd	02.02.2001	-	-	23,755,025*	30.02
	Meda Inc. Berhad	28.12.2001	32,537,724	7.62	62,607,008**	14.66
	KEB	05.05.1997	1,902,000	0.41	61,007,000@	13.27
Mr. Foo San Kan	Symphony House Berhad	07.02.2003	-	-	-	-
	OSK-Signet Trustees Berhad	25.04.2003	-	-	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	Asian Pac Holdings Berhad	19.10.1994	1,857,000	0.53	-	-
	Seal Incorporated Berhad	30.12.2000 (31.01.2003)	-	-	-	-
	SEG International Bhd	02.02.2001	297	-	-	-
	MY-Infotech (M) Berhad	29.01.2002	-	-	12,921,817#	9.9
	Dialog Group Berhad	18.04.2002	-	-	-	-
	Pernas International Holdings Berhad	02.10.2002	-	-	-	-

Notes:

* Deemed interested through KEB (21,520,025 shares) and wholly-owned subsidiary of KEB, Sawitani Sdn Bhd (2,235,000 shares)

** Deemed interested through KEB (6,842,016 shares) and wholly-owned subsidiary of KEB, Sawitani Sdn Bhd (60,171,992 shares)

@ Deemed interested through Meda Capital Sdn Bhd

Held through nominees

6.3.4 Directors' Remuneration and Benefits

The remuneration paid to the directors of SEB and its subsidiary companies for services rendered to SEB and its subsidiary companies for the financial year ended 31 July 2002 amounted to RM1.36 million. For the financial year ending 31 July 2003, the amount payable to the Directors of Salcon and its subsidiary companies for services rendered in all capacities to Salcon and its subsidiary companies is estimated to be about RM1.56 million.

6.4 Audit Committee

Salcon has set up an Audit Committee on 22 July 2003 which comprise the following Board members:

Name	Designation	Directorship
Mr Foo San Kan	Chairman	Independent Non-Executive Director
Dato' Lim See Teok	Member	Chief Executive Officer, Executive Director
Dato' Dr Freezailah Bin Che Yeom	Member	Independent Non-Executive Director

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

The main functions of the Audit Committee include the review of audit report with the auditors, review of auditors' evaluation of internal accounting controls, review of the scope of internal audit procedures, review of balance sheets and profit and loss accounts and nomination of auditors.

6.5 Key Management of the Salcon Group

6.5.1 Particulars and Shareholdings of the Key Management Team

Name	No. of Shares Held in Salcon After the Public Issue and Offer for Sale*			
	Direct	%	Indirect	%
Key Management				
Dato' Lim See Teok	45,000		27,555,240 ⁽¹⁾	14.41
Mr. Jaggit Singh a/l Tara Singh	45,000		27,555,240 ⁽¹⁾	14.41
Ir. Cheek Yeow Kwang	40,000		-	-
Ir. Lee Thim Loy	40,000		-	-
Ir. Low Ah Chye @ Low Beng Peow	40,000		-	-
Mr. Jamiluddin Amini Sulaiman	40,000		-	-
Mr. A Muruledharan	40,000		-	-
Mr. Wong Lim Ann	40,000		-	-
Mr. Wong Weng Loong	40,000		-	-
Mr. Eng Boon Chong	40,000		-	-
Mr. Mohamed Azri B. Mohamed Noordin	40,000		-	-
Mr. Chan Chow Hun	40,000		-	-
Ms Gladys Lim Chee Mei	40,000		-	-

Notes:

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

(1) Deemed interested by virtue of their substantial shareholdings in ETSB

6.5.2 Profiles of the Key Management

Dato' Lim See Teok - Chief Executive Officer, Executive Director
MBA, CA (M)

Dato' Lim See Teok, aged 45, is the Chief Executive Officer of the Salcon Group. An Accountant by profession, he obtained his Master in Business Administration (General Management) from the University of Bath, United Kingdom in 1991. Prior to joining SEB, his experience included many solid years in General Management, International Marketing as well as Finance and Operations with multi-national organisations and Malaysian conglomerates. Since joining SEB in 1997, Dato' Lim has steered the company towards becoming a regional player in water engineering in the Asian region.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Mr. Jaggit Singh a/l Tara Singh – Executive Director *BE (Mech) University of Roorke, India*

Mr. Jaggit Singh, aged 55 is a qualified Mechanical Engineer by profession. He started his career as a lecturer and subsequently proceeded to be a project engineer. To date he has more than 25 years of experience in the design and execution of water treatment and pumping projects for the public sector. He joined SEB in 1980 and currently heads the WED.

Over the past two decades Mr. Jaggit has actively participated and provided his expertise in the design, construction, commissioning, testing and handover of numerous large water supply projects in Malaysia and overseas. One of his notable achievement in Malaysia includes the implementation of the first water BOT project in Malaysia, the privatisation of Greater Ipoh Water Supply Scheme (Phase II) involving sourcing, treatment and supply of water to Lembaga Air Perak. He also led the team in the Binh An Water Supply Project where SEB is a lead partner in the first operational water BOT project in the Republic Socialist of Vietnam.

Mr. Jaggit also led the design and implementation of the first Integrated Dissolved Air Floatation System in Malaysia, utilising state-of-the-art technology in plant design as well as the largest sludge de-watering plant for the Johor River Water Supply Plant under the Public Utilities Board, Singapore.

Ir. Cheek Yeow Kwang, KMN, PJK *Special Advisor, SEB* *B.Sc (Hons), FIEM, FICE, FCIWEM, P.Eng, C.Eng,*

Ir. Cheek Yeow Kwang, aged 69, was appointed to the Board of SEB on 18 March 1997 and currently is the Special Advisor of the company. He is a prominent Civil Engineer with more than 40 years of experience. He specialises in water supply engineering where he has been responsible for design, supervision and coordination of projects.

In addition, he has wide ranging experience in the administration and management of diverse projects, including financial evaluation of development and privatisation schemes, through his long career as Design Engineer, District Engineer, Senior Executive Engineer, Chief Executive Engineer, Deputy Director, Director and Consultant both in the public and private sectors. He has 26 years of experience in the government service (JKR), 5 years in consultancy and 12 years in the corporate field.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Ir. Lee Thim Loy

Managing Director, ESB

B. Sc. Eng, M. Eng, P. Eng, MIEM, MCIWEM

Ir. Lee Thim Loy, aged 54, has more than 29 years experience in the wastewater industry. Ir. Lee holds a Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971, and a Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973. He is also a registered Professional Engineer with the Board of Engineers, Malaysia. His experience ranges from design and construction of Rotating Biological Contactor, oxidation ditch, activated sludge system, intermittently decanted extended aeration activated sludge system and aerated lagoon system for sewage treatment to wastewater treatment plants for industrial wastes. His portfolio includes involvement in several master plans and feasibility studies for sewerage in Malaysia. His capabilities extend into the treatment of palm oil wastes besides related environmental consultancy for industrial effluent surveys, wastewater flow analyses and wastewater feasibility studies. Ir. Lee's noteworthy experience includes involvement in the Palm Oil Waste Treatment Project in Malaysia and in Thailand, a project sponsored by the International Development Research Centre, Canada, and undertaken by the Asian Institute of Technology, Bangkok, in association with the Department of Environment, Ministry of Science, Technology and Environment, Malaysia.

Ir. Low Ah Chye @ Low Beng Peow

Executive Director, ESB

B. Sc. Eng, M. Eng, P. Eng, FIEM

Ir. Low Beng Peow, aged 57, has been in the environmental engineering industry for more than 29 years. Ir. Low holds a Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971, and a Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973. He is also a registered Professional Engineer with the Board of Engineers, Malaysia. Being a major contributor to the study of sewerage and sewage disposal, he plays a crucial role in ESB's successful implementation of various types of sewage treatment systems, laying of sewers and installation of vacuum sewage collection system. Ir. Low's noteworthy experience includes involvement in the multi-million ringgit Kuala Lumpur Sewerage Project financed by the International Bank for Reconstruction and Development and the preparation of the Shah Alam Sewerage and Sewage Disposal Master Plan.

Mr. Jamiluddin Amini Sulaiman

General Manager, WED

B. Sc. (Chemical Engineering)

Mr. Jamiluddin, aged 36, holds a Bachelor of Science degree in Chemical Engineering from Brown University, Rhode Island, USA. At SEB, he has been involved in the construction of various water treatment plants, which include site management, design and operation. Prior to joining SEB, his experience includes carrying out detailed studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor. While working in the United States, he was involved in developing technology for hazardous wastewater control, operating an inorganic testing laboratory as well as conducting various tests on water, wastewater, soil and sludge. At his present capacity, he oversees the overall project management and tendering for water and wastewater treatment projects.

6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Mr. A Muruledharan

*Head, Project Department, WED
B.E. (Mech)*

Mr. Muruledharan, aged 53, is a Mechanical Engineer. He has worked and was involved in the marketing, planning, design, supervision, co-ordination and implementation of water treatment plants, power plants and machine tools for more than 14 years prior to joining SEB. Having spent more than 10 years in the company, one of Mr. Muruledharan's many achievements was to successfully implement the Binh An Water Supply Project in Vietnam. Mr. Muruledharan is a joint Head of Department for projects within the WED.

Mr. Wong Lim Ann

*Head, Engineering Department
Dip. Mech*

Mr. Wong, aged 54, is a Mechanical Engineer by profession and has more than 20 years experience in the design and project execution of water projects. He has spent the last 13 years in SEB implementing key water projects such as Sg. Lebam, Bukit Sebukor, Sri Gading and Sg. Terip water treatment works. He was also involved in managing the supply, delivery and installation of the sludge treatment facilities for the Singapore Public Utilities Board Facilities at Johor River Waterworks. In his current capacity, he leads a team of engineers in carrying out engineering design work for water and wastewater treatment projects.

Mr. Wong Weng Loong

*Head, Contracts Department
Dip. C. Eng., Bachelor of Applied Science (Hons) Construction Management & Economics*

Mr. Wong, aged 44, has been involved in the commercial practice of the quantity surveying for approximately 21 years. He started his career in the Public Works Department having completed a scholarship on technical studies by the Public Services Department. He has been actively involved in contract management, project management, management contracting, as well as legal and cost control procedures. With commercial experience in Singapore, Thailand, Australia, apart from Malaysia, he also has extensive experience in areas such as tender adjudication, evaluation of contracting as well as contractual dispute resolution and arbitration. His latest contribution to the nation was the successful completion of the Light Rail Transit II (Putra) in Kuala Lumpur, a UEM-Renong-Ho Hup Construction project and the retail shopping centre for Kuantan Parade as well as part of the Coastal Waterfront City in Johor Bahru. Currently, he is much involved in the commercial aspects of water treatment projects undertaken by SEB both in Malaysia, Thailand and Vietnam.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Mr. Eng Boon Chong

General Manager, AID

M. Sc, B. Sc (Mech)

Mr. Eng, aged 47, heads the Agro Industrial Division of SEB. He has been working in the area of palm oil mill construction for 20 years. Prior to joining SEB, he worked with a Consultant Engineer firm specialising in palm oil mill construction. As the General Manager of the Agro Industrial Division, his responsibilities include overall project management which involves feasibility studies, design, construction and commissioning of oil mills. Among his major accomplishments include the completion of the integrated palm oil complex in Nigeria and one of the largest palm oil mills (80 tonne FFB/hr) on a turnkey basis in Sabah. Besides that, he was also fully responsible in the turnkey construction of the PTIL palm oil mill in Andhra Pradesh, India within a record time of 13 months. Mr. Eng has been with SEB since 1989 and has been involved in many projects in Malaysia as well as overseas such as Indonesia, Myanmar and Ivory Coast.

Mr. Mohamed Azri B. Mohamed Noordin

Head, Electrical & Systems Control Department, WED

B. Eng (Hons.)

Mr. Azri, aged 40, an Electrical Engineer, holds a Bachelor degree from the University of Malaya. He has 15 years of experience in design, construction, commissioning and maintenance of installation in the Power, Process, Oil and Gas Industries. Specialising in Electrical and Instrumentation, he has been involved in various projects both in Malaysia and overseas. Prior to joining SEB, he was attached to Fluor Daniel International and was posted to Silterra Silicon Wafer Fabrication Project in Kulim, Kedah, a Design-Build Project in which he was involved in the design and construction of the facility.

Mr. Chan Chow Hun

Assistant General Manager, Corporate

MBA, CFA

Mr. Chan Chow Hun, aged 43, is a Chartered Financial Analyst charter holder and has a Master of Business Administration degree. In his current capacity, he undertakes business and corporate development as well as corporate advisory work. Previously, he was attached to the corporate advisory department of a Malaysian corporation, the regional Project Finance Division of a British merchant bank and the Business Consulting Division of an international accounting firm.

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6. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (Cont'd)

Ms. Gladys Lim Chee Mei
Financial Controller
MBA, B. Econ., ACA, CA (M)

Ms Lim, aged 40, is a Chartered Accountant by training. She has 18 years of financial and management experience, in areas of planning, finance, accounting and system development in Malaysia, Australia, Hong Kong, China and India. She holds a Bachelor of Economics from Monash University, Australia and a Master of Business Administration from RMIT (Melbourne). Ms Lim started her career with KPMG (Kuala Lumpur) and Pricewaterhouse (Australia) and subsequently in Honda Australia Pty Ltd. Prior to joining SEB in 2000, she was involved in the project finance of infrastructure and power projects. Ms Lim is a member of the Institute of Chartered Accountants of Australia, Australian Society of Certified Public Accountants and Malaysia Institute of Accountants. As the Financial Controller of the Salcon Group, Ms Lim oversees the Group's financial functions.

6.6 Family Relationships

Save for Dato' (Dr) Teoh Seng Foo, Teoh Seng Aun and Teoh Seng Kian who are siblings, none of the substantial shareholders, Promoters, Directors, key management and key technical personnel or members of the management team are related to each other.

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7. MAJOR LICENCES AND PERMITS

Major licences under the possession of the Salcon Group are as follows:

No.	Types of Licence	Approving Authority	License Number	Date of Issuance	Date of Expiry	Remarks
1.	Class A: No fixed limit on value of works done. Detail of works as follow: <ul style="list-style-type: none"> - Civil engineering works - Building works - Mechanical, sanitary and water engineering works including supply of equipment. - Other specialist civil engineering works 	Pusat Khidmat Kontraktor Kementerian Pembangunan Usahawan	1002 A 85 0175	4/6/2003	15/5/2005	Not more than 49% foreign equity. If foreign equity is present, (regardless of percentage of holding), there must be a minimum of 30% equity from Bumiputera. <i>(This condition has been met)</i>
2.	Manufacturing licence	Ministry of International Trade and Industry	A012695	20/4/2001		<p>(a) At least 87% of the company's shares inclusive of the reserved minimum 30% at least, are to be purchased and held by Malaysian citizens. The company is to consult MITI prior to any allotment of the reserved shares.</p> <p>(b) The shares held by the non-Malaysian citizens are not to be sold without the prior written consent of the MITI.</p> <p>(c) Generally, the composition of the Board is to reflect the equity structure of the company. The company is to inform MITI on the appointment to the Board and any subsequent changes to the Board.</p> <p>(d) The company is to hire and train Malaysian citizens in order to reflect the multi-racial composition of resident for all levels of workforce.</p> <p><i>(These conditions have been met)</i></p>

Note: Both licences are held by SEB and do not contain any clause in respect of transferability.

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8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST**8.1 Related Party Transactions**

The following related party transactions were entered into on normal commercial basis which are no more favourable to the related parties than those extended to other parties.

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
1.	<p>Management Services</p> <p>Pursuant to Management Agreement dated 1 August 2002, SEB has engaged KE Management Services Sdn Bhd ("KEM") to provide management services such as company secretarial and legal services to SEB at RM13,600 per month. KEM is a wholly-owned subsidiary of KEB.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
2.	<p>Sub Contracts Works</p> <p>SEB has awarded two contracts to KE Construction Sdn Bhd ("KECSB") relating to the Lancang (Melaka) Water Treatment Project :</p> <p>(1) surveying and setting works with value of RM59,441; and</p> <p>(2) earthworks and ancillary works for the construction of Bulk Excavation and Platform Earthworks at intake site, treatment work site and drainage access road to treatment works site with value of RM5,889,920.</p> <p>KECSB is a wholly-owned subsidiary of KEB.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>

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8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
3.	<p>South City Plaza and Phase 2 service apartments</p> <p>The South City Plaza is owned and developed by Pujian Development Sdn Bhd ("Pujian"), a wholly-owned subsidiary of KEB. Trans MSB Sdn Bhd, a nominated sub-contractor of Pujian appointed SEB as the nominated sub-sub-contractor for the M&E works to this project.</p> <p>M&E services provided by SEB include fire protection systems, air conditioning and ventilation systems, electrical, telephone, PA, MATV, intercom systems, cold water and sanitary plumbing systems and liquified petroleum gas (LPG) systems. The value of the contract is RM17,285,000.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
4.	<p>Summit Segamat Johor</p> <p>The 3 storey shopping complex is owned and developed by Tashima Development Sdn Bhd ("Tashima"), a wholly-owned subsidiary of KEB. Trans MSB Sdn Bhd, a nominated sub-contractor of Tashima appointed SEB as the nominated sub-sub-contractor for the M&E works to this project.</p> <p>SEB novated the letter of award to SBSSB. M&E works provided by SBSSB include fire protection systems, air conditioning and ventilation systems, electrical, telephone, PA, MATV, intercom systems, cold water and sanitary plumbing and liquified petroleum gas (LPG) systems. The contract value is RM12,311,000.</p> <p>Details of the novation is set out in Section 14.5(i) of this Prospectus.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
5.	<p>Maintenance Charges</p> <p>SRSB currently occupies office space at the Menara Summit Subang USJ managed by Meda Complex Management (USJ) Sdn Bhd ("MCMSB"). Under the terms of the Maintenance Agreement between SRSB (the tenant) and MCMSB (the property manager), SEB is to pay RM1 per square foot of maintenance charges monthly to MCMSB. This amounts to RM11,195 per month.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is a substantial shareholder and director of MCMSB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder and director of MCMSB.</p> <p>Teoh Seng Kian is a substantial shareholder and director of MCMSB.</p>

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
6.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 15 February 2001 entered into between Tap Construction Sdn Bhd ("Tap"), SEB and Sejati Builders Sdn Bhd ("SBSB") in relation to a project known as "Cadangan Kompleks Perdagangan" situated at Lot PT. 33218, Mukim Petaling (Sri Kembangan), Daerah Petaling, Selangor Darul Ehsan ("Project"), wherein SBSB is the employer, Tap is the Main Contractor and SEB is the Nominated Sub Contractor. The parties agreed that an amount of RM15,176,923.86 is due and owing to SEB for work done under the Project. SBSB has agreed to pay the said sum to SEB in instalments over 36 months. Amount due from SBSB as at 15 July 2003 is RM4,363,220.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo, Teoh Seng Aun and Teoh Seng Kian at the material time of entry into the agreement were substantial shareholders of SBSB but as at 30 December 2002, are no longer substantial shareholders of SBSB.</p>
7.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 26 November 2002 between SEB and SBSB in relation to the balance sum outstanding to SEB comprising RM69,648.45 relating to the Proposed Residential (Phase 3B) Development on Lots 1324 & 1327, Mukim Batu, Daerah Gombak, Selangor Darul Ehsan, RM1,122,972.60 relating to the assignment of debt by SRSB to SEB and consented by SBSB and RM1,648.25 for provision of services comprising of PABX System Maintenance to SBSB. SBSB has agreed to offer shares in various public listed companies listed on the KLSE to SEB to settle the said outstanding sums. Amount due from SBSB as at 15 July 2003 is RM1,148,575.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo, Teoh Seng Aun and Teoh Seng Kian at the material time of entry into the agreement were substantial shareholders of SBSB but as at 30 December 2002, are no longer substantial shareholders of SBSB.</p>
8.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 21 February 2003 between SCESB and Isabel Timber Company Limited ("ITCL") (a subsidiary of KEB) in relation to an amount of USD378,638.79 owing by ITCL to SCESB as at 31 January 2003. It was agreed that ITCL shall settle in full the total debt outstanding to SCESB within fourteen(14) days after completion of the corporate restructuring of SHCB or within fourteen(14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. As at 15 July 2003, the same amount is still outstanding to SCESB.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
9.	Settlement Agreement Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Products (S.I.) Limited ("SPSL") (a subsidiary of KEB) in relation to an amount of USD292,123.58 owing by SPSL to SCESB as at 31 January 2003. It was agreed that SPSL shall settle in full the total debt outstanding to SCESB within fourteen (14) days after completion of the corporate restructuring of SHCB or within fourteen (14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. As at 15 July 2003, the same amount is still outstanding to SCESB.	Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon) Teoh Seng Aun (Deemed substantial shareholder of Salcon) Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)	Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB. Teoh Seng Aun is deemed a substantial shareholder of KEB. Teoh Seng Kian is deemed a substantial shareholder of KEB.
10.	Settlement Agreement Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Plantation Product (S.I.) Limited ("SPPL") (a subsidiary of KEB) in relation to an amount of USD544,996.06 owing by SPPL to SCESB as at 31 January 2003. It was agreed that SPPL shall settle in full the total debt outstanding to SCESB within fourteen (14) days after completion of the corporate restructuring of SHCB or within fourteen (14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. The amount due to SCESB as at 15 July 2003 is USD347,443.	Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon) Teoh Seng Aun (Deemed substantial shareholder of Salcon) Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)	Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB. Teoh Seng Aun is deemed a substantial shareholder of KEB. Teoh Seng Kian is deemed a substantial shareholder of KEB.

The Directors of Salcon are of the opinion that the above transactions have been entered into in the ordinary course of business and have been established under negotiated terms.

In addition to the above, Salcon has inter-company balances due from KEB which arose from non-trade transactions. These balances are subject to interest charged at prevailing market rates. The said inter-company balances will be settled within fourteen(14) days from the listing of Salcon on the Main Board of the KLSE as described in Section 4.11 of this Prospectus.

8.2 Interest in Similar Business

None of the Director and substantial shareholder of Salcon has any interest, direct or indirect, in any business carrying on a similar trade as the Company and its subsidiary companies.

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

8.3 Declaration by the Advisers

AmMerchant Bank has given its confirmation that there is no conflict of interest in its capacity as the Adviser in relation to the IPO.

Messrs Cheang & Ariff has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the IPO.

Messrs KPMG has given its confirmation that there is no conflict of interest in its capacity as the Auditor and Reporting Accountant in relation to the IPO.

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9. SUMMARY OF PROPERTIES

A summary of the properties owned by Salcon and its subsidiaries is as follows:

Registered/ Beneficial Owner	Location/Address	Description/ Existing Use	Tenure / (Approximate age of building)	Land Area/ (Approximate Built up area) Sq. meters	Net Book Value as at 31.1.2003
SEB	HS(D) 216, Plot No. 144, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,474/ (NA)	131,275
SEB	HS(D) 216, Plot No. 145, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,087/ (NA)	131,275
SEB	HS(D) 216, Plot No. 154, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,115/ (NA)	131,275
SRSB	Geran 39929, PT No. 42695, Mukim Damansara, Daerah Petaling/15 th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	Office space	Freehold (3 years)	NA/ (1,300.5)	5,413,149
SRSB	Geran 39930, PT No. 42696 Mukim Damansara, Daerah Petaling/16 th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	Office space	Freehold (3 years)	NA/ (1,300.5)	5,425,561
ESB	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Intermediate unit 1½ storey terraced factory	Freehold (6 years)	149/ (NA)	199,040
ESB	HS(D) 3422, Lot No. 3988, Mukim Damansara, Daerah Petaling, Selangor/No. 67, Jalan SS15/5A, 47500 Subang Jaya, Selangor Darul Ehsan	Intermediate unit 3 storey terraced shop-office	Freehold (23 years)	164/ (NA)	696,870
ESB	Plot Nos 1-176 of H.S. (D) 47860 P.T. No 770, Mukim Beranang, Daerah Hulu Langat	Vacant bungalow lot	NA	12,000 sq. feet/ (NA)	*324,000

Notes:

NA – Not available

* Stated at cost

10. FINANCIAL INFORMATION**10.1 Consolidated Profit and Dividend Record**

The following table has been extracted from the Accountants' Report set out in Section 12 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

The summarised proforma consolidated results of the Salcon Group for the financial years ended 31 July 1998 to 2002 and six(6) months ended 31 January 2003, assuming the Salcon Group has been in existence for the entire financial years/period under review, are set out below:

	Proforma					
	Year ended 31 July					6 months ended 31 January 2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	125,963	102,415	104,003	129,775	153,460	123,285
EBIDTA	9,354	13,239	12,918	16,959	16,185	18,781
Interest expense	(1,093)	(711)	(635)	(465)	(1,823)	(1,093)
Depreciation	(502)	(458)	(835)	(892)	(944)	(767)
Amortisation	(12)	(18)	(530)	(530)	(605)	(494)
	(1,607)	(1,187)	(2,000)	(1,887)	(3,372)	(2,354)
Operating profits	7,747	12,052	10,918	15,072	12,813	16,427
Share of profit/(loss) of associated company	(7)	(1)	2,098	1,827	4,070	2,052
Share of profit in joint venture	-	(a)	(a)	-	-	85
Profit from ordinary activities	7,740	12,051	13,016	16,899	16,883	18,564
Exceptional items ^(b)	-	-	(947)	-	-	-
Profit before taxation	7,740	12,051	12,069	16,899	16,883	18,564
Taxation ^(c)	(1,667)	-	1,010	(3,668)	(3,138)	(4,836)
Profit after exceptional items and taxation	6,073	12,051	13,079	13,231	13,745	13,728
Minority interest	-	-	(206)	(734)	(1,283)	(2,266)
Profit attributable to shareholders	6,073	12,051	12,873	12,497	12,462	11,462
Pre-tax profit margin (%)	6.14	11.77	12.52	13.02	11.00	15.06
Number of ordinary shares in issue during the year ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross ^(d)	38.70	60.26	64.05	80.83	78.00	92.82
- Net ^(e)	30.37	60.26	69.10	62.49	62.31	68.64

Notes:

- (a) Share of profit of joint venture had been proportionately taken up in revenue and contract cost recognised as an expense.
- (b) The exceptional items arose from unrealised foreign exchange loss and foreseeable loss written back.
- (c) Taxation has been adjusted for over/under provision in the respective years.
- (d) Gross earnings per share has been calculated based on proforma profit before exceptional items and taxation but after MI on the number of ordinary shares issued.
- (e) Net earnings per share has been calculated based on proforma profit before exceptional items but after taxation and MI on the number of ordinary shares issued.
- (f) There are no extraordinary items during the financial years/period under review.

10. FINANCIAL INFORMATION (Cont'd)

The summarised proforma consolidated results have been prepared based on the following assumptions:

- (i) The results and the effects of those investments disposed of during the past five financial years have been excluded from the proforma consolidated results.
- (ii) The current structure of the Group has been in existence throughout the years/period under review.

10.1.1 Segmental Analysis of Revenue and Operating Profit by Division**Analysis of Revenue by Division:**

	Proforma										Six(6) months ended 31.01.03	
	Financial Year Ended 31 July											
	1998 RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
WED	70,918	56	71,415	70	55,070	53	94,344	73	126,143	82	83,774	68
WWD	-	-	-	-	-	-	-	-	14,140	9	30,377	25
AID	11,441	9	16,418	16	28,503	28	24,848	19	5,807	4	39	-
BSD	40,771	32	9,045	9	12,819	12	(1,029)	(1)	-	-	5,869	5
TSD	2,357	2	5,527	5	7,471	7	11,554	9	7,370	5	3,226	2
Others	476	1	10	-	140	-	58	-	-	-	-	-
Proforma Consolidated Revenue	125,963	100	102,415	100	104,003	100	129,775	100	153,460	100	123,285	100

Analysis of Operating Profit by Division:

	Proforma										Six(6) months ended 31.01.03	
	Financial Year Ended 31 July											
	1998 (RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
WED	6,347	82	12,470	103	11,631	107	14,855	99	10,727	84	9,679	59
WWD	-	-	-	-	-	-	-	-	1,905	15	6,915	42
AID	521	7	(146)	(1)	(212)	(2)	(420)	(3)	(801)	(6)	(45)	-
BSD	965	12	(411)	(3)	(627)	(6)	(362)	(2)	(205)	(2)	(186)	(1)
TSD	71	1	109	1	139	1	931	6	516	4	26	-
Others	(157)	(2)	30	-	(13)	-	68	-	671	5	38	-
Operating Profit	7,747	100	12,052	100	10,918	100	15,072	100	12,813	100	16,427	100
Share of profit / (loss) of associated company	(7)		(1)		2,098		1,827		4,070		2,052	
Share of profit in joint venture	-		-		-		-		-		85	
PBT before exceptional items	7,740		12,051		13,016		16,899		16,883		18,564	

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10. FINANCIAL INFORMATION (Cont'd)**10.1.2 Segmental Analysis of Revenue and Operating Profit by Geographical Location****Analysis of Revenue by Geographical Location:**

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998		1999		2000		2001		2002			
	RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Malaysia	113,599	91	28,374	28	57,815	56	105,143	81	145,673	95	120,266	98
Other South-East Asia (SEA) countries	10,347	8	56,708	55	38,749	37	21,030	16	7,540	5	3,002	2
India	1,400	1	15,638	15	-	-	12	-	-	-	-	-
Others	617	-	1,695	2	7,439	7	3,590	3	247	-	17	-
Proforma Consolidated Revenue	125,963	100	102,415	100	104,003	100	129,775	100	153,460	100	123,285	100

Analysis of Operating Profit by Geographical Location:

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998		1999		2000		2001		2002			
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Malaysia	6,316	82	2,866	24	3,609	33	11,211	74	11,481	90	15,671	95
Other SEA countries	574	7	8,049	67	7,119	65	2,943	20	1,319	10	896	6
India	434	6	1,131	9	5	-	579	4	-	-	(140)	(1)
Others	423	5	6	-	185	2	339	2	13	-	-	-
Operating Profit	7,747	100	12,052	100	10,918	100	15,072	100	12,813	100	16,427	100
Share of profit / (loss) of associated company	(7)		(1)		2,098		1,827		4,070		2,052	
Share of profit in joint venture	-		-		-		-		-		85	
PBT before exceptional items	7,740		12,051		13,016		16,899		16,883		18,564	

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10. FINANCIAL INFORMATION (Cont'd)**10.2 Directors' Declaration on Financial Performance**

Save as disclosed in Sections 1.10 and 10.3 of this Prospectus, the Directors are of the view that the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:

- (i) any known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Salcon Group;
- (ii) any material commitment for capital expenditure;
- (iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Salcon Group;
- (iv) any substantial increase in revenue; and
- (v) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position of the Group.

10.3 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Capital Commitments**(i) Working Capital**

The Directors of Salcon are of the opinion that, after taking into account the cashflow forecast, banking facilities available and the gross proceeds from the IPO, the Group will have adequate working capital for its present and foreseeable future requirements.

(ii) Borrowings

As at 15 July 2003 (being the last practicable date prior to the printing of this Prospectus) the total borrowings of the Salcon Group amounted to approximately RM51 million comprising term loans, trust receipts, letters of credit, banker's acceptance and hire purchase financing.

(iii) Contingent Liabilities

As at 15 July 2003, being the last practicable date prior to the printing of this Prospectus, Salcon and its subsidiaries do not have any contingent liabilities save for the following:

As at 15 July 2003	RM'000
Guarantees and contingencies relating to borrowings of associated companies	13,680
Bank guarantee as performance and tender guarantee given to third parties	54,048
Total	67,728

10. FINANCIAL INFORMATION (Cont'd)

(iv) Material Capital Commitments

As at 15 July 2003 (being the latest practicable date prior to the printing of Prospectus), Salcon and its subsidiaries do not have any material capital commitments.

(v) Material Litigation

Save as disclosed in Section 14.7 of this Prospectus, Salcon and its subsidiaries are not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of Salcon and its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of Salcon and its subsidiaries.

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10. FINANCIAL INFORMATION (Cont'd)**10.4 CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 31 JULY 2003 AND 2004**
*(Prepared for inclusion in the Prospectus)***10.4.1 Consolidated profit estimate for the financial year ending 31 July 2003****Salcon Berhad
and its subsidiary companies****Consolidated profit estimate for the year ending
31 July 2003**

Barring unforeseen circumstances, the Directors of Salcon Berhad estimate that the consolidated profit after taxation of Salcon Group for the financial year ending 31 July 2003 which includes the audited financial results for the six-month ended 31 January 2003, will be as follows:

	Estimate before proposed listing proposal** RM'000	Adjustments to reflect the proposed listing proposal*** RM'000	Estimate after proposed listing proposal RM'000
Turnover	242,093	(232,006)	10,087
EBITDA*	47,265	(45,504)	1,761
Depreciation and amortisation	(2,706)	2,593	(113)
Profit before interest and taxation	44,559	(42,911)	1,648
Interest expense	(5,307)	5,086	(221)
Profit before taxation and exceptional item	39,252	(37,825)	1,427
Exceptional item****	-	(28,833)	(28,833)
Profit/(Loss) before taxation	39,252	(66,658)	(27,406)
Taxation	(9,974)	9,558	(416)
Profit/(Loss) after taxation but before minority interest	29,278	(57,100)	(27,822)
Minority interest	(2,877)	2,757	(120)
Profit/(Loss) after taxation and minority interest	26,401	(54,343)	(27,942)
Number of ordinary shares in issue ('000)	20,000		191,263
Weighted average number of ordinary shares in issue ('000)	20,000		7,969
Net earnings per ordinary share based on weighted average number of ordinary shares (sen)	132.01		(350.63)

* Earnings before interest expense, taxation, depreciation and amortisation.

** The consolidated profit forecast before proposed listing proposal will be the profit forecast for the year ending 31 July 2003 of the Salcon Engineering Berhad ("SEB") Group.

*** The adjustments include the eleven and a half months pre-acquisition reserves prior to the effective date of acquisition of SEB by Salcon in mid July 2003, calculated on a pro-rata basis.

**** Being the payment of RM28.0 million in cash to Seng Hup Corporation Berhad (Special Administrators Appointed) ("SHCB") creditors, approximately RM0.4 million worth of Salcon Shares to the Special Administrators and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB shareholders pursuant to the Proposed Debt Settlement.

10. FINANCIAL INFORMATION (Cont'd)**10.4.2 Consolidated profit forecast for the financial year ending 31 July 2004****Salcon Berhad
and its subsidiary companies****Consolidated profit forecast for the year ending
31 July 2004**

Barring unforeseen circumstances, the Directors of Salcon Berhad forecast that the consolidated profit after taxation of Salcon Group for the financial year ending 31 July 2004 will be as follows:

	RM'000
Turnover	<u>388,575</u>
EBITDA*	52,540
Depreciation and amortisation	(3,306)
Profit before interest and taxation	<u>49,234</u>
Interest expense	(5,312)
Profit before taxation	<u>43,922</u>
Taxation	(12,199)
Profit after taxation but before minority interest	<u>31,723</u>
Minority interest	(1,833)
Profit after taxation and minority interest	<u>29,890</u>
Number of ordinary shares in issue ('000)	<u>191,263</u>
Net earnings per ordinary share based on number of ordinary shares in issue (sen)	<u>15.63</u>

* *Earnings before interest expense, taxation, depreciation and amortisation.*

10. FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the above consolidated profit estimate and forecast have been made are set out below.

1. Inflation and interest rates will remain at current levels.
2. There will be no material changes in present legislation or government regulations, rates and duties, levies and taxes, which will adversely affect the operations of the Salcon Group or the markets in which it operates.
3. The Salcon Group will not be affected by industrial disputes or any other abnormal factors or changes affecting operations or sales at their forecast levels or disrupt its planned operations.
4. There will be no material changes in the prevailing political, economic and market conditions in and outside Malaysia which will adversely affect the activities or performance of the Salcon Group.
5. There will be no material changes in the current principal activities, composition and structure of the Salcon Group.
6. There will be no material changes in the Salcon Group's current management and existing accounting, management and operational policies.
7. The Directors assume that there will be no significant disruptions in the operations and supply of raw materials or any unfavourable conditions that will adversely affect the activities of the Salcon Group.
8. There will be no material increase in wages, raw materials and other costs.
9. Capital expenditure will be incurred as planned.
10. Existing financing facilities are assumed to remain available to the Salcon Group and interest rates will not change significantly from those presently prevailing. In addition, the Salcon Group will be able to obtain financing facilities at the present prevailing interest rates.
11. The exchange rates of foreign currencies against the Malaysian Ringgit are assumed to be as follows: -
 - USD is assumed to be continuously pegged at the fixed exchange rate of RM3.80 to USD1.00
 - Indonesian Rupiah translated to Ringgit Malaysia at the rate of RM0.03 to IDR100
 - Indian Rupees translated to Ringgit Malaysia at the rate of RM7.77 to Rs100
12. The gross proceeds of RM35 million from the proposed public issue will be received by early September 2003 and utilised as follows :

	RM'000
Debt settlement to Seng Hup Corporation Berhad creditors	28,000
Working capital	4,540
Estimated restructuring and listing expenses	2,500

	35,040
	=====

10. FINANCIAL INFORMATION (Cont'd)

10.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST OF THE SALCON GROUP FOR THE FINANCIAL YEARS ENDING 31 JULY 2003 AND 2004
(Prepared for inclusion in the Prospectus)



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Chartered Accountants
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The Board of Directors
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

22 July 2003

Dear Sirs

Reporting accountants' letter on the consolidated profit estimate for the year ending 31 July 2003 and consolidated profit forecast for the year ending 31 July 2004

We have reviewed the accounting policies and calculations for the consolidated profit estimate for the year ending 31 July 2003 and the consolidated profit forecast for the year ending 31 July 2004 of Salcon Berhad ("Salcon") and its subsidiary companies ("Salcon Group"), for which the Directors are solely responsible, as set out in the Prospectus in connection with the public issue of 29,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share and offer for sale of 17,920,000 existing ordinary shares at a placement price of RM1.20 each per ordinary share and the listing and quotation of the entire enlarged issued and paid up share capital of 191,262,502 ordinary shares of RM0.50 each in Salcon on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate for the year ending 31 July 2003 and the consolidated profit forecast for the year ending 31 July 2004, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted by Salcon Berhad and its subsidiaries companies.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/03(J)



KPMG, a partnership established under Malaysian law, is a member of KPMG network, a Swiss entity.



10. FINANCIAL INFORMATION (Cont'd)**10.6 DIRECTORS' COMMENTARY ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST****Profit estimate and forecast for the financial years ending 31 July 2003 and 2004**

Salcon is an investment holding company with a wholly-owned subsidiary, SEB. As at 15 July 2003, SEB has 14 subsidiary companies and 4 associated companies. Details of all of SEB's subsidiary and associated companies are set out in Sections 4.4.2 to 4.4.19 of this Prospectus. Its financial year end is at 31 July.

SEB Group's profit after tax and minority interest for the financial year ending 31 July 2003 is estimated at RM26.4 million. Contributions from recurring sources of income namely from the concession in Vietnam and from its operations and maintenance contracts in Malaysia contribute about 31% of net profit, with the remainder derived largely from its contracts for water and wastewater projects.

Contribution from its water and wastewater divisions constitutes about 90% of the estimated turnover.

Incorporating the results of the Restructuring Exercise as set out in Section 5 of this Prospectus, the Salcon Group will post a loss after taxation and minority interest of RM27.9 million for the financial year ending 31 July 2003. This is as a result of taking in only half a month of SEB's profits (as the completion date of acquisition of SEB by Salcon is 16 July 2003) and more importantly, as a result of recognising exceptional items amounting to RM28.8 million (being payment of RM28.0 million in cash to SHCB's creditors, approximately RM0.4 million worth of Salcon Shares to the SA and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB's shareholders). The management has consciously adopted a conservative policy of recognising the entire amount as an exceptional item in this financial year.

In 2004, Salcon will realise the full year's results of the SEB Group. The Salcon Group's turnover is forecast at RM389 million. For this period, some of the larger projects that will be completed include the Lancang, Sungkai, Perak Hilir and the Min Buri water treatment projects. The local operation and maintenance contracts from Jabatan Bekalan Air Negeri Sembilan is expected to contribute about RM23 million in turnover in 2004. The contribution from the wastewater division will increase to 13% and together with the contribution from the water division, they will constitute 93% of total turnover.

Salcon expects to secure a further RM600 million worth of new contracts in 2004 from its various divisions, but mainly from water and wastewater projects, both domestically as well as regionally, as Salcon builds on its strength and continue to focus on its WWD.

Recurring income from water projects will continue to contribute a substantial component, i.e. approximately 30% of Salcon's forecast profit after tax and minority interest of RM29.8 million.

The Directors of Salcon have reviewed and analysed the reasonableness of the bases and assumptions in arriving at the profit estimate and forecast for the financial years ending 31 July 2003 and 2004 and are of the opinion that they are fair and reasonable in the light of the projects secured during the year, projects being identified for tendering and negotiation, future prospects of the industries, and Salcon's level of gearing, liquidity, overheads and working capital arrangement.

10. FINANCIAL INFORMATION (Cont'd)**10.7 Sensitivity Analysis**

The following sensitivity analysis is prepared by the management of the Group and have not been independently verified by the Reporting Accountant. It is based on the forecast assumptions set out in Section 10.4 above and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the turnover and the cost of sales. Notwithstanding the impact of the variations in the turnover and cost of sales as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

10.7.1 Variation in Turnover

Estimate for the financial year ending 31 July 2003

	Turnover RM'000	Cost RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Net Profit RM'000
As Forecast	242,093	190,003	52,090	39,252	29,278	26,401
Up to 10%	266,302	209,003	57,299	44,461	33,028	30,151
Up to 5%	254,198	199,503	54,695	41,857	31,154	28,277
Down 5%	229,988	180,503	49,485	36,647	27,402	24,525
Down 10%	217,884	171,003	46,881	34,043	25,528	22,651

10.7.2 Variation in Operating Cost

Estimate for the financial year ending 31 July 2003

	Turnover RM'000	Cost RM'000	Gross Profit RM'000	Operating Cost RM'000	PBT RM'000	PAT RM'000	Net Profit RM'000
As Forecast	242,093	190,003	52,090	21,625	39,252	29,278	26,401
Up to 10%	242,093	190,003	52,090	23,788	37,089	27,721	24,844
Up to 5%	242,093	190,003	52,090	22,706	38,171	28,500	25,623
Down 5%	242,093	190,003	52,090	20,544	40,333	30,056	27,179
Down 10%	242,093	190,003	52,090	19,463	41,414	30,835	27,958

10.8 Dividend Forecast and Policy

In view of Salcon completing the Restructuring Exercise at the end of the financial year ending 31 July 2003, the Directors of Salcon will not be declaring any dividends for the financial year ending 31 July 2003.

However, based on the consolidated profit forecast for the financial year ending 31 July 2004 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of Salcon anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of 2.60 sen per Share for the financial year ending 31 July 2004, based on the enlarged issued and paid-up share capital of 191,262,502 Shares.

It will be a policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

10. FINANCIAL INFORMATION (Cont'd)

The intended appropriation of the forecast consolidated PAT for the financial year ending 31 July 2004 would be as follows:

	Financial Year Ending 31 July 2004 RM'000
Consolidated PBT	43,922
Taxation	(12,199)
Consolidated PAT but before MI	31,723
Minority interest	(1,833)
	29,890
Proposed dividend	(4,973)
Consolidated retained profit for the year	24,917
Gross dividend per Share (sen)	2.60
Net dividend per Share (sen)	2.60
Gross dividend per Share (%)	5.20
Net dividend yield based on the Public Issue/Offer price of RM1.20 per Share (%)	2.17
Net dividend coverage (times)	6.01

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10. FINANCIAL INFORMATION (Cont'd)**10.9 PROFORMA CONSOLIDATED BALANCE SHEETS OF SALCON GROUP AS AT 31 January 2003**
*(Prepared for inclusion in the Prospectus)***Salcon Berhad
and its subsidiary companies****Consolidated proforma balance sheets
As at 31 January 2003**
(Prepared for inclusion in the Prospectus)

The Proforma Consolidated Balance Sheets of Salcon Group as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated balance sheet as at 31 January 2003 had the following events been completed on that date.

Proforma		(1)	(2)	(3)	(4)	(5)
	Audited Balance Sheet of Salcon	After Share Exchange	After (1) and Acquisition of SEB by Salcon	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and Proposed ESOS
(RM'000)						
Property, plant and equipment	-	-	17,521	17,521	17,521	17,521
Investment in associate companies	-	-	65,723	65,723	65,723	65,723
Other investment	-	-	140	140	140	140
Intangible asset	-	28,417	28,417	28,417	-	-
Goodwill	-	-	3,604	3,604	3,604	3,604
	-	28,417	115,405	115,405	86,988	86,988
Current Assets						
Inventories	-	-	258	258	258	258
Trade and other receivables	-	-	204,260	204,260	204,260	204,260
Tax recoverable	-	-	7	7	7	7
Cash and cash equivalents	**	**	16,138	51,178	20,678	43,629
	**	**	220,663	255,703	225,203	248,154
Current Liabilities						
Trade and other payables	-	28,000	157,974	157,974	129,974	129,974
Borrowings	-	-	64,043	64,043	64,043	64,043
Taxation	-	-	2,471	2,471	2,471	2,471
	-	28,000	224,488	224,488	196,488	196,488
Net Current (Liabilities)/Assets	**	(28,000)	(3,825)	31,215	28,715	51,666
	**	417	111,580	146,620	115,703	138,654

10. FINANCIAL INFORMATION (Cont'd)

Proforma	(1)	(2)	(3)	(4)	(5)
Audited Balance Sheet of Salcon	After Share Exchange	After (1) and Acquisition of SEB by Salcon	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and Proposed ESOS
(RM'000)					
Financed by:					
Capital And Reserves					
Share Capital	417	80,615	95,215	95,631	105,194
Share premium	-	-	20,440	17,940	31,328
Reserves	-	24,952	24,952	(3,881)	(3,881)
Shareholders' funds	417	105,567	140,607	109,690	132,641
Minority Shareholders' Interests	-	4,782	4,782	4,782	4,782
Long Term And Deferred Liabilities					
Borrowings	-	1,109	1,109	1,109	1,109
Deferred taxation	-	122	122	122	122
** RM/	417	111,580	146,620	115,703	138,654
Net tangible assets per share (RM)	(33.60)	0.29	0.43	0.42	0.49

** RM/

10. FINANCIAL INFORMATION (Cont'd)

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF SALCON GROUP
AS AT 31 JANUARY 2003
(Prepared for inclusion in the Prospectus)**

Notes to the Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003

1. Basis of preparation

The Proforma Consolidated Balance Sheets of the Salcon Group as set out above have been prepared solely for illustrative purposes, is based on the audited financial statements of Salcon and Salcon Engineering Berhad ("SEB") as at 31 January 2003, and on the assumption that the following transactions had been effected on 31 January 2003. The accounting policies, basis and assumptions used in the preparation of the Proforma Consolidated Balance Sheets are consistent with those adopted by SEB or Salcon Group.

(i) Incorporation of Salcon

The incorporation of Salcon, involving the establishment of a new private limited company in Malaysia, is to be used as an investment holding company to facilitate the restructuring of Seng Hup Corporation Berhad ("SHCB"). Salcon was subsequently converted to be a public limited company on 24 February 2003. Salcon will later assume the listing status of SHCB pursuant to the Listing Proposals of SEB and SHCB will be delisted.

(ii) Proforma 1 – Share exchange

Salcon is to acquire 100% of SHCB via the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon ("Salcon Shares") at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) shares in SHCB held, i.e. shareholders of SHCB will receive 833,250 Salcon Shares in exchange for 19,998,000 Shares in SHCB held by them.

Upon completion of the share exchange, SHCB will become a wholly-owned subsidiary of Salcon. It is the intention of Salcon to acquire and hold SHCB exclusively for the implementation of the Listing Proposals of SEB with a view of its subsequent disposal.

Upon completion of the Listing Proposals of SEB, Salcon will become the investment holding company for the restructured group.

(iii) Proforma 2 – Acquisition of SEB by Salcon

Proforma 2 incorporates the effects of Proforma 1 and acquisition of SEB by Salcon.

Salcon is to acquire the entire issued and paid-up share capital of SEB from SEB's existing shareholders, namely Kumpulan Emas Berhad ("KEB"), Mampu Alam Sdn Bhd ("MASB") and Eminent Triumph Sdn Bhd ("ETSB") (collectively known as "SEB Vendors") for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 Salcon Shares at an issue price of RM0.50 per Salcon Share.

Upon completion of the acquisition, SEB will become a wholly owned subsidiary of Salcon. Subsequently, the principal activities of the SEB group of companies will be the core business of the Salcon Group.

Proforma 2 also incorporates the effects of SEB group of companies assuming that the investment in preference shares of Palm Tech India Ltd has been completed.

10. FINANCIAL INFORMATION (Cont'd)**(iv) Proforma 3 – Public issue**

Proforma 3 incorporates the effects of Proforma 1 and 2 and public issue.

Upon completion of the acquisition, Salcon will undertake a public issue of 29,200,000 new ordinary shares of RM0.50 each in Salcon at an indicative issue price of RM1.20 per share. The shares will be issued to the eligible directors and employees of SEB group of companies and the Malaysian public.

The public issue of Salcon shares will enable Salcon to raise RM35 million, of which RM28 million cash will be utilised for the debt settlement to SHCB's Creditors.

(v) Proforma 4 – Debt settlement

Proforma 4 incorporates the effects of Proforma 1, 2 and 3 and debt settlement.

Proforma 4 incorporates the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon Shares at par to the Creditors of SHCB.

Apart from that, the proceeds to be raised from the public issue of Salcon shares at an issue price of RM1.20 per share will amount to RM35 million and is to be utilised as follows:

	RM'000
Debt settlement to SHCB creditors	28,000
Working capital	4,540
Restructuring and listing expenses	2,500
	<u>35,040</u>

(vi) Proforma 5 – Proposed Employee Share Option Scheme (Proposed ESOS)

Salcon proposes to offer to eligible employees (including eligible executive directors) of Salcon, the options to subscribe for Salcon Shares. The maximum number of new Salcon Shares offered under the Proposed ESOS shall not exceed 10% of the issued and paid-up share capital of the SEB at any point in time during the duration of the proposed ESOS. The Directors of Salcon assume that the Proposed ESOS will be fully exercised.

2. Offer for Sale and/or Placement, Transfer of Listing Status and Transfer of Salcon Shares to the Main Board of the KLSE

Upon the completion of the Share Exchange, Acquisition of SEB by Salcon, Public Issue, Debt Settlement and Offer for Sale and/or Placement, the listing status of SHCB on the Second Board of the KLSE shall be transferred to Salcon. Consequently, SHCB will be de-listed from the Second Board of the KLSE.

Subsequently Salcon will be seeking to transfer the listing and quotation for its entire issued and paid-up share capital comprising 191,262,502 Salcon Shares from the Second Board to the Main Board of the KLSE.

These three (3) events do not have any effect on the Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003.

10. FINANCIAL INFORMATION (Cont'd)**3. Share capital**

The movements in the issued and paid-up capital of the Salcon Group are as follows: -

	No. of Salcon Shares
Existing issued and paid-up share capital as at 31 January 2003	2
Shares to be issued pursuant to the Share Exchange	833,250
	<u>833,252</u>
Shares to be issued pursuant to the Acquisition of SEB by Salcon	160,396,000
	<u>161,229,252</u>
Shares to be issued pursuant to the Public Issue	29,200,000
	<u>190,429,252</u>
Shares to be issued to SHCB's Creditors as part of the Debt Settlement	833,250
	<u>191,262,502</u>
Shares to be issued pursuant to the exercise of ESOS options	19,126,000
	<u>210,388,502</u>
Enlarged issued and paid-up share capital	210,388,502

4. Share premium account

The movements in the share premium account of Salcon Group are as follows: -

	RM'000
Existing	-
Arising from the Share Exchange	-
	<u>-</u>
Arising from the Acquisitions of SEB by Salcon	-
	<u>-</u>
Arising from the Public Issue	20,440
	<u>20,440</u>
Less: Estimated restructuring and listing expenses	(2,500)
	<u>17,940</u>
Arising from the full exercise of ESOS options	13,388
	<u>31,328</u>

10. FINANCIAL INFORMATION (Cont'd)

**10.10 REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 31 JANUARY 2003**
(Prepared for inclusion in the Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
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The Board of Directors
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

22 July 2003

Dear Sirs

**Reporting accountants' letter on the proforma consolidated balance sheets as at 31
January 2003**

We have reviewed the Proforma Consolidated Balance Sheets of Salcon Berhad ("Salcon") and its subsidiary companies ("Salcon Group") as at 31 January 2003, together with the notes thereon, for which the Directors are solely responsible, as set out in the Prospectus in connection with the public issue of 29,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share and offer for sale of 17,920,000 existing ordinary shares at a placement price of RM1.20 each per ordinary share and the listing and quotation of the entire enlarged issued and paid up share capital of 191,262,502 ordinary shares of RM0.50 each in Salcon on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets and the accompanying notes, which have been prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/03(J)



KPMG, a partnership entity, is a member of the KPMG network, a Swiss association.



11. DIRECTORS' REPORT

(Prepared for inclusion in the Prospectus)

SALCON BERHAD

(Company No. : 593796-T)
17th Floor, Menara Summit, Persiaran Kewajipan, USJ1,
47600 UEP Subang Jaya, Selangor Darul Ehsan

Date : 23 JUL 2003

The Shareholders
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan,
USJ 47600 UEP Subang Jaya
Selangor Darul Ehsan

Dear Sir/Madam,

On behalf of the Board of Directors of Salcon Berhad ("Salcon"), I wish to report that after due enquiry during the period between 31 January 2003 (being the date to which the last audited accounts of Salcon and its subsidiaries ("Group") have been made up) to the date hereof, (being a date not earlier than 14 days before the issuance of this Prospectus) :-

- i) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- ii) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv) save as disclosed in Section 10.3 of this Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group; and
- v) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountant's Report" as set out in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully
For and on behalf of the Board of Directors
SALCON BERHAD



TAN SRI RAZALI ISMAIL
Chairman

12. ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus)



KPMG (Firm No. AF 0758)
Chartered Accountants
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50490 Kuala Lumpur, Malaysia

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The Board of Directors
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

22 July 2003

Dear Sirs

Accountants' Report

This report has been prepared by KPMG, an approved company auditor, for inclusion in the Prospectus of Salcon Berhad ("Salcon" or the Company) to be dated 28 July 2003 in connection with the public issue of 29,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share and offer for sale of 17,920,000 existing ordinary shares at a placement price of RM1.20 each per ordinary share and the listing and quotation of the entire enlarged issued and paid up share capital of 191,262,502 ordinary shares of RM0.50 each in Salcon on the Main Board of Kuala Lumpur Stock Exchange.

1. General Information

1.1 Background

Salcon Berhad was incorporated in Malaysia under the Companies Act, 1965 on 25 September 2002 as a private limited company under the name of Salcon Sdn Bhd. Subsequently on 24 February 2003, it was converted to a public company and assumed its current name. Salcon is principally an investment holding company.

Salcon was incorporated with an authorised share capital of RM100,000 comprising 200,000 ordinary shares of RM0.50 each. The authorised share capital was subsequently increased to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each.

Pursuant to the Workout Proposal of SHCB, Salcon will be acquiring the entire issued and paid-up share capital of SHCB involving the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon ("Salcon Shares") at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) ordinary shares of RM1.00 each in SHCB held. The acquisition of SHCB is expected to be completed before the transfer of listing status from SHCB to Salcon and from the Second Board to the Main Board of the KLSE.

The Restructuring Scheme of SHCB also involves Salcon acquiring the entire issued and paid-up share capital of Salcon Engineering Berhad ("SEB") from SEB Vendors for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 Salcon Shares at an indicative issue price of RM0.50 per Salcon Share.



KPMG, a partnership established under Malaysian law, is a member of KPMG International, a Swiss association.



12. ACCOUNTANTS' REPORT (Cont'd)

Upon completion of the acquisitions, SEB will become a wholly owned subsidiary company of Salcon. Pursuant to the Workout Proposal, the principal activities of the SEB Group will be the core business of the Salcon group of companies ("Salcon Group") going forward.

1.2 Share Capital

1.2.1 The authorised and issued and paid up capital of Salcon as at the date of this report are as follows:-

	No. of ordinary shares of RM0.50 each	Total RM'000
Authorised	1,000,000,000	500,000

The changes in the issued and paid-up capital of Salcon since its incorporation are as follows: -

Date of Allotment	No. of Shares Issued	Par Value RM	Consideration	Cumulative Issued and Paid up Capital RM
25.09.02	2	0.50	Cash	1
21.07.03	160,396,000	0.50	Acquisition of Salcon Engineering Berhad via new shares issued at par	80,198,001
	833,250 [#]	0.50	Acquisition of Seng Hup Corporation Berhad via new shares issued	80,614,626
	29,200,000 [#]	0.50	Cash at premium	95,214,626
	833,250 [#]	0.50	Debt settlement to SHCB's creditors via new shares issued at par	95,631,251
	19,126,000 [#]	0.50	Proposed ESOS	105,194,251

[#] To be increased in due course pursuant to the restructuring exercise of SHCB.

1.3 Restructuring Scheme of SHCB

The Restructuring Scheme is based on the Workout Proposals of SHCB. The scheme will undertake the following restructuring exercise:-

(a) Share Swap with shareholders' of SHCB

Salcon will acquire the entire issued and paid-up capital of SHCB involving the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) ordinary shares of RM1.00 each in SHCB held.

Upon completion of the Share Exchange, SHCB will become a wholly-owned subsidiary company of Salcon. It is the intention of Salcon to acquire and hold SHCB exclusively for the implementation of the Restructuring Scheme with a view of its subsequent liquidation.

12. ACCOUNTANTS' REPORT (Cont'd)

Pursuant to the Workout Proposals, the shareholders of SHCB will receive 833,250 new Salcon Shares of RM0.50 each in exchange for 19,998,000 shares of RM1.00 each in SHCB held by them.

The share swap is expected to be completed before the listing of Salcon on the Main Board of KLSE.

(b) Acquisition of SEB by Salcon

Salcon will acquire the entire issued and paid-up share capital of SEB from Kumpulan Emas Berhad ("KEB"), Mampu Alam Sdn Bhd ("MASB") and Eminent Triumph Sdn Bhd ("ETSB") (collectively known as "SEB Vendors") for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 Salcon Shares at an indicative issue price of RM0.50 per Salcon Share.

Upon completion of the acquisitions, SEB will become a wholly owned subsidiary company of Salcon. Pursuant to the Workout Proposals, the principal activities of the SEB Group will be the core business of the Salcon group of companies ("Salcon Group") going forward.

The acquisition of SEB is expected to be completed before the listing of Salcon on the Main Board of KLSE.

(c) Exemption on the remaining Salcon Shares

Upon completion of the acquisition in (b) above, SEB Vendors will hold 160,396,000 Salcon Shares representing approximately 83.86% of the enlarged issued and paid-up share capital of 191,262,502 Salcon shares prior to the Proposed ESOS.

Pursuant to Part II Section 6 of the Malaysian Code on Take-Overs and Mergers 1998, SEB Vendors and Parties Acting In Concert are required to extend an unconditional mandatory General Offer for all the remaining Salcon Shares not already owned by them in Salcon after the acquisition.

An application by SEB Vendors and Parties Acting In Concert to seek a waiver from this obligation under Practice Note 2.9.3 of the Code will be made to the Securities Commission ("SC") to exempt the aforementioned parties from having to undertake a mandatory take-over upon completion of the acquisition.

(d) Public Issue of Salcon Shares

As part of the Workout Proposals, Salcon will undertake a public issue of 29,200,000 new Salcon Shares to the eligible directors and employees of SEB group of companies and the Malaysian public upon completion of the acquisition in (b) above.

The public issue of 29,200,000 Salcon Shares will be allocated in the following manner: -

- (i) 2,800,000 of the new ordinary shares of RM0.50 each will be reserved for the eligible employees and Directors of the Salcon Group as well as the business associates of the Salcon Group; and
- (ii) 26,400,000 of the new ordinary shares of RM0.50 each will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

12. ACCOUNTANTS' REPORT (Cont'd)**(e) Offer For Sale**

In order to comply with the 25% public shareholding spread requirement and to give SEB Vendors an avenue to realise part of their Salcon Shares, SEB Vendors will undertake an offer for sale/placement of 17,920,000 Salcon Shares held by the SEB Vendors to the Malaysian public and potential investors.

The proceeds arising from the Offer For Sale/Placement will accrue to the SEB Vendors. No part of the proceeds will be received by Salcon.

(f) Debt Settlement for SHCB

The proceeds amounting to RM28,000,000 raised from the Public Issue and proceeds from the Share Sale by the Special Administrators ("SA") and/or creditors' agent will be utilised for settlement to the SHCB Creditors. The Debt Settlement entails the following: -

(i) Issue of Shares to SHCB Creditors

Issue of Shares to the SHCB Creditors involves the issuance of 833,250 new Salcon Shares at an issue price of RM0.50 per Salcon Share, to be held by the SA and/or creditors' agent for the benefit of the SHCB Creditors, as part settlement to the SHCB Creditors.

(ii) Share Sale by SA and/or Creditors' Agent

Subsequent to the Issue of Shares to SHCB Creditors, the SA and/or creditors' agent will dispose of 833,250 Salcon Shares in the open market upon the listing of and quotation for Salcon Shares at a price no lower than RM1.20 per Salcon Share. The proceeds raised from the said disposal will be distributed to the SHCB Creditors on a pro-rated basis.

The proceeds to be raised from the proposed public issue of shares in Salcon will enable Salcon to raise RM35 million, of which RM28 million cash will be utilised in the proposed debt settlement to pay SHCB Creditors.

The RM35 million is proposed to be utilised as follows:

	RM'000
Debt settlement to SHCB Creditors	28,000
Working capital	4,540
Estimated restructuring and listing expenses	2,500
	<u>35,040</u>

(g) Transfer of Listing Status

Transfer of listing status from SHCB to Salcon resulting in SHCB to be delisted from the Second Board of the KLSE and Salcon listed on the Second Board of the KLSE.

(h) Disposal of SHCB to SPV

Disposal of the entire issued and paid-up share capital of SHCB to a special purpose vehicle ("SPV") for a consideration of RM1.00 and subsequent liquidation of SHCB and all of its subsidiary companies.

(Collectively referred to as the "Restructuring Exercise")

12. ACCOUNTANTS' REPORT (Cont'd)**(i) Transfer to Main Board**

Subsequent to the transfer of listing status from SHCB to Salcon, Salcon Shares will be transferred to the Main Board of KLSE.

(j) Proposed Employee Share Option Scheme ("Proposed ESOS")

Salcon proposes to offer to eligible employees (including eligible executive directors) of Salcon, options to subscribe for new ordinary shares of RM0.50 each in Salcon. The maximum number of new Salcon Shares offered under the Proposed ESOS shall not exceed ten per cent (10%) of the issued and paid-up share capital of Salcon at any point in time during the duration of the Proposed ESOS.

The Proposed ESOS shall be in force for a period of five (5) years from its commencement. However, Salcon may extend the Proposed ESOS scheme for a further five (5) years.

All new ordinary shares issued pursuant to the restructuring exercise rank pari-passu in all respects with the existing ordinary shares of Salcon.

The restructuring scheme was approved by the Foreign Investment Committee on 26 December 2002, the Ministry of International Trade and Industry on 27 December 2002 and the Securities Commission on 26 and 31 December 2002 as well as on 2 and 30 June 2003.

1.4 Subscription of shares in Cross Continental Investment ("CCI") and Investment in PalmTech India Ltd ("PTIL")

SEB had on 30 July 2002 entered into a Subscription Agreement ("the Agreement") with its holding company, KEB, and CCI in relation to the following: -

- a) Subscription of 1,225 new ordinary shares at USD1.00 each in CCI representing 49% of the enlarged issued and paid up capital of CCI.

At the request of SEB and with the consent of KEB, CCI agreed to issue and allot in favour of SEB 1,225 new ordinary shares, representing 49% of the enlarged issued and paid-up capital of 2,500 shares of CCI after the issuance and allotment.

In consideration of KEB agreeing to exercise its voting rights to authorise and approve the abovementioned subscription, SEB agreed to pay RM16,635,520 to KEB upon execution of the Agreement.

- b) Subscription of 813,502 6% cumulative redeemable preference shares of Rs100 each in PTIL representing 49% of the total cumulative redeemable preference shares of PTIL.
- c) SEB will made an advance of a sum of USD1,013,647 to CCI.

The above are conditional upon the following approvals being obtained: -

- i) Bank Negara Malaysia - Approval from Bank Negara Malaysia will have to be obtained with regard to the regulation on foreign exchange control for advance to CCI;
- ii) Mauritius authorities - Under the provisions of the Mauritius Offshore Business Activities Act 1992, approval will have to be obtained from the Mauritius authorities for SEB to be introduced as a shareholder; and

12. ACCOUNTANTS' REPORT (Cont'd)

- iii) Indian Authorities - Approval from the Reserve Bank of India will have to be obtained for the proposed allotment of the preference shares.

Should the approvals from the relevant authorities be not obtained, the consent fee of RM16,635,520 is refundable to SEB.

As of 31 January 2003, subscription of shares in CCI and advance made to CCI had been completed. The subscription for the 6% cumulative redeemable preference shares of Rs100 each in PTIL had been fully paid on 6 March 2003.

1.5 Subsidiary and Associated Companies

The subsidiary and associated companies of Salcon as at the date of this report and their principal activities are as follows:

Name of company	Date of incorporation	Share Capital		Principal activities	Equity interests (%)
		Authorised RM	Issued and fully paid-up RM		
SEB	3.4.1974	50,000,000	20,000,000	<ul style="list-style-type: none"> Design, building, operation and maintenance of municipal potable water, sewerage and industrial waste water facilities; Design, building and commissioning of palm oil mills; Provision of mechanical and electrical engineering services for general industries; and Investment holding. 	100
<u>Subsidiary Companies of SEB</u>					
SCESB	3.5.1979	10,000,000	3,000,000	Trading and servicing equipment for water and palm oil industries.	100
SRSB	12.9.1975	1,000,000	500,000	Property investment.	100
PMSB	28.4.1983	300,000	200,000	Dormant.	100
BTESB	12.5.1980	2,000,000	1,700,000	Investment holding.	100
ESB	30.8.1984	5,000,000	3,500,000	Design, building, operation and maintenance of wastewater and sewerage treatment plants.	60

12. ACCOUNTANTS' REPORT (Cont'd)

Name of company	Date of incorporation	Share Capital		Principal activities	Equity interests (%)
		Authorised RM	Issued and fully paid-up RM		
IWSSB	4.7.1985	500,000	20,000	Operation and maintenance of water treatment plants.	51
SASB	22.2.1992	25,000	2	Dormant.	100
SSSB	13.10.1999	100,000	2	Dormant.	100
SCSB	26.07.1991	25,000	2	Dormant	100
SESSB	27.10.1992	1,000,000	250,001	Operation and maintenance of water treatment plants	100
SWHK	23.04.2003	HK10,000	HK2	Dormant	100
<u>Subsidiary Companies of BTESB</u>					
SKSB	28.5.1970	3,000,000	1,000,000	Dormant.	100
SBSSB	9.12.1980	5,000,000	1,400,000	Provision of engineering services for general industries	100
EMCCSB	13.05.1991	1,000,000	555,000	Dormant.	60
<u>Associated Company of SEB</u>					
EUCSB	03.09.1987	OS 2,000,000	OS 2,000,000	Investment holding company in respect of a water supply project in Vietnam.	40
		RPS 1,000,000	RPS 47,000		
		-----	-----		
		3,000,000	2,047,000		
		=====	=====		
CCI	25.06.1998	USD100,000	USD2,500	Investment holding	49
<u>Associated Company of EUCSB</u>					
BAWC	15.03.1995	USD35,800,000	USD10,800,000	Production and supply of treated water to Ho Chi Minh City.	90% held by EUCSB

12. ACCOUNTANTS' REPORT (Cont'd)

Name of company	Date of incorporation	Share Capital		Principal activities	Equity interests (%)
		Authorised RM	Issued and fully paid-up RM		
<u>Associated Company of CCI</u>					
PTIL	06.04.1993	Rs	Rs	Oil palm plantation development and manufacture and sale of crude palm oil and related products.	94.8% held by CCI
		OS 60,000,000	OS 53,500,000		
		CRPS 190,000,000	CRPS 137,898,400		
		----- 250,000,000 -----	----- 191,398,400 -----		

Note: -

- OS - Ordinary Share
 RPS - Redeemable Preference Share
 CRPS - 6% Cumulative Redeemable Preference Share

1.6 Financial Statements and Auditors

The financial year end of the Salcon Group is 31 July.

We have acted as auditors of SEB, its subsidiary and associated companies for all the financial years relevant to this report except as highlighted. KPMG Vietnam have acted as auditors of BAWC and KPMG Mauritius have acted as auditors of CCI for all the financial years relevant to this report.

We have not acted as auditors of IWSSB for the financial years/period ended 2 January 1996 to 1998 and 31 July 1999.

We have not acted as auditors of ESB for the financial years ended 31 December 1997 to 31 July 2002.

We have not acted as auditor of PTIL for the financial years ended 31 March 1998 to 31 July 2002 and financial period ended 31 January 2003.

The financial statements of EMCCSB for the financial years ended 31 July 1998 and 2002 and financial period ended 31 January 2003 had not been adopted as the Company was not in a capacity to hold the Annual General Meeting to approve the financial statements due to two foreign directors of the Company were not contactable. The Company is currently seeking approval under Section 144 of the Companies Act, 1965 to hold an Extraordinary General Meeting to approve the financial statements.

The financial statements of companies in the Salcon Group have been prepared based on accounting policies adopted by Salcon Group and in compliance with approved accounting standards in Malaysia applicable to the relevant financial years/periods.

The auditors' reports for all the relevant financial years/period under review have been reported on without any qualification.

12. ACCOUNTANTS' REPORT (Cont'd)**1.7 Dividends**

Details of dividends declared by SEB in respect of the five financial years ended 31 July 1998 to 2002 and six-month ended 31 January 2003 are as follows:

Financial year/period ended	Issued and paid up ordinary share capital RM'000	Dividend Rate %	Net dividend RM'000
31 July 1998	20,000	36.00	5,184
31 July 1999	20,000	25.00	5,000
31 July 2000	20,000	25.00	5,000
31 July 2001	20,000	16.70	3,340
31 July 2002	20,000	25.00	5,000
31 January 2003	20,000	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**2. Group Financial Performance**

We set out below the summarised proforma consolidated results of Salcon Group for the financial years ended 31 July 1998 to 2002 and six-month ended 31 January 2003 after making such adjustments to exclude the results and the effects of those investments disposed of during the past five financial years from the proforma consolidated results.

2.1 Summarised Proforma Results

	Proforma					
	Year ended 31 July					6 months ended 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Revenue	125,963	102,415	104,003	129,775	153,460	123,285
EBIDTA***	9,354	13,239	12,918	16,959	16,185	18,781
Interest expense	(1,093)	(711)	(635)	(465)	(1,823)	(1,093)
Depreciation	(502)	(458)	(835)	(892)	(944)	(767)
Amortisation	(12)	(18)	(530)	(530)	(605)	(494)
	(1,607)	(1,187)	(2,000)	(1,887)	(3,372)	(2,354)
Operating profits	7,747	12,052	10,918	15,072	12,813	16,427
Share of profit/(loss) of associated company	(7)	(1)	2,098	1,827	4,070	2,052
Share of profit in joint venture	-	-	-	-	-	85
Profit from ordinary activities	7,740	12,051	13,016	16,899	16,883	18,564
Exceptional items	-	-	(947)	-	-	-
Profit before taxation	7,740	12,051	12,069	16,899	16,883	18,564
Taxation*	(1,667)	-	1,010	(3,668)	(3,138)	(4,836)
Profit after exceptional items and taxation	6,073	12,051	13,079	13,231	13,745	13,728
Minority interest	-	-	(206)	(734)	(1,283)	(2,266)
Profit attributable to shareholders	6,073	12,051	12,873	12,497	12,462	11,462
Effective tax rate (%)**	21.54	-	(7.57)	18.75	21.42	26.24
Pre-tax profit margin (%)	6.14	11.77	12.52	13.02	11.00	15.06
Interest coverage ratio (times)	8.08	17.95	21.50	37.34	10.26	17.98
After tax return to shareholders' funds (%)	11.63	18.05	17.45	15.55	14.67	13.06
Number of ordinary shares in issue during the year ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross***	38.70	60.26	64.05	80.83	78.00	92.82
- Net****	30.37	60.26	69.10	62.49	62.31	68.64

12. ACCOUNTANTS' REPORT (Cont'd)



Note: *There is no extraordinary item for the year/period under review.*

[^] *Share of profit of joint venture had been proportionately taken up in the revenue and contract cost recognised as an expense.*

^{*} *Taxation has been adjusted for over/under provision in the respective years.*

^{**} *Effective tax rate is calculated based on restated taxation.*

^{***} *Gross earnings per share has been calculated based on proforma profit before exceptional items and taxation but after minority interest on the number of ordinary shares issued.*

^{****} *Net earnings per share has been calculated based on proforma profit before exceptional items but after taxation and minority interest on the number of ordinary shares issued.*

The summarised proforma consolidated results have been prepared on the following assumptions:-

- (i) The results and the effects of those investments disposed of during the past five financial years have been excluded from the proforma consolidated results.
- (ii) The current structure of the Group has been in existence throughout the years under review.

12. ACCOUNTANTS' REPORT (Cont'd)**2.2 Summarised Consolidated Results**

We set out below the summarised audited consolidated results of SEB Group for the financial years ended 31 July 1998 to 2002 and six-month ended 31 January 2003.

	Audited					
	Year ended 31 July					6 months ended 31 January 2003
	1998	1999	2000	2001	2002	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	132,606	102,415	104,003	129,775	153,460	123,285
EBIDTA***	9,472	13,239	12,918	16,959	16,185	18,781
Interest expense	(1,093)	(711)	(635)	(465)	(1,823)	(1,093)
Depreciation	(502)	(458)	(835)	(892)	(944)	(767)
Amortisation	(12)	(18)	(530)	(530)	(605)	(494)
	(1,607)	(1,187)	(2,000)	(1,887)	(3,372)	(2,354)
Operating profits	7,865	12,052	10,918	15,072	12,813	16,427
Share of profit of associated company	1,166	450	2,426	2,717	5,204	2,052
Share of profit in joint venture	-	-	-	-	-	85
Profit from ordinary activities	9,031	12,502	13,344	17,789	18,017	18,564
Exceptional items	-	7,061	(947)	-	-	-
Profit before taxation	9,031	19,563	12,397	17,789	18,017	18,564
Taxation	(2,143)	(55)	1,010	(3,668)	(3,138)	(4,836)
Profit after exceptional items and taxation	6,888	19,508	13,407	14,121	14,879	13,728
Minority interest	-	-	(206)	(734)	(1,283)	(2,266)
Profit attributable to shareholders	6,888	19,508	13,201	13,387	13,596	11,462
Effective tax rate (%)	16.96	0.28	0.71	18.75	21.42	26.24
Pre-tax profit margin (%)	6.81	12.21	12.83	13.71	11.74	15.06
Interest coverage ratio (times)	9.26	18.58	22.01	39.26	10.88	17.98
After tax return to shareholders' funds (%)	13.19	29.23	17.89	16.59	15.88	13.06
Number of ordinary shares in issue during the year ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross	45.16	62.51	66.72	88.94	90.08	92.82
- Net	34.44	62.24	71.77	70.61	74.40	68.64

12. ACCOUNTANTS' REPORT (Cont'd)



*** *Earnings before interest, depreciation, taxation and amortisation*

There is no extraordinary item for the year/period under review.

Notes: -

- a) Previously share of profit of joint venture were proportionately taken up in the revenue and contract cost recognised as an expense.
- b) Exceptional items arose from the disposal of subsidiary and associated companies, allowance for diminution in value of investment, foreign currency exchange differences and settlement of account.
- c) Generally, the effective tax rates for 1998, 2001, 2002 and 2003 were lower than the statutory tax rate as income derived from overseas projects were tax exempted.

No taxation was provided in 1999 in view of tax waiver in 1999 pursuant to Income Tax (Amendment) Act, 1999. The taxation in 1999 represented under-provision in prior years.

Whereas the taxation in 2000 represented over-provision in prior years.

- d) Gross earnings per share has been calculated based on profit before exceptional items and taxation on the number of ordinary shares issued.
- e) Net earnings per share has been calculated based on profit before exceptional items but after taxation on the number of ordinary shares issued.

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12. ACCOUNTANTS' REPORT (Cont'd)

The exceptional item represents the following: -

	← Year ended 31 July →					6 months ended 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
Gain on disposal of: -	-	-	-	-	-	-
- subsidiary company	-	7,552	-	-	-	-
- associated company	-	1,509	-	-	-	-
Unrealised foreign exchange loss	-	(1,600)	(1,180)	-	-	-
Provision for foreseeable loss	-	(400)	-	-	-	-
Foreseeable loss written back	-	-	233	-	-	-
	-	7,061	(947)	-	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**3 Financial Performance**

We set out below the summarised results of the individual subsidiary companies based on their audited financial statements for the years ended 31 July 1998 to 2002 and six-month ended 31 January 2003.

3.1 SEB

	Audited					
	Year ended 31 July					6 months ended 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	123,188	80,497	92,935	116,692	130,316	88,987
EBIDTA***	8,883	8,707	12,109	14,663	12,026	8,988
Interest expense	(993)	(702)	(429)	(332)	(1,733)	(1,072)
Depreciation	(448)	(409)	(546)	(574)	(525)	(414)
	(1,441)	(1,111)	(975)	(906)	(2,258)	(1,486)
Operating profits	7,442	7,596	11,134	13,757	9,768	7,502
Share of profit of jointly controlled entities	-	-	-	-	-	85
Profit from ordinary activities	7,442	7,596	11,134	13,757	9,768	7,587
Exceptional items	-	7,882	(947)	-	-	-
Profit before taxation	7,442	15,478	10,187	13,757	9,768	7,587
Taxation	(1,667)	-	964	(3,597)	(1,964)	(2,011)
Profit after exceptional items and after taxation	5,775	15,478	11,151	10,160	7,804	5,576
Dividends	(5,184)	(5,000)	(5,000)	(3,340)	(5,000)	-
	591	10,478	6,151	6,820	2,804	5,576
Number of ordinary shares of RM1.00 each in issue at year end ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross	37.21	37.98	55.67	68.79	48.84	37.94
- Net	28.88	37.98	60.49	50.80	39.02	27.88
Effective tax rate (%)	14.12	-	0.28	24.46	28.97	26.51

*** Earnings before interest, depreciation, taxation and amortisation

There is no amortisation charge or extraordinary item for the year/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)



Notes: -

- a) Previously share of profits of jointly controlled entities were proportionately taken up in the revenue and contract cost recognized as an expense.
- b) Exceptional items arose from the disposal of subsidiary and associated companies, allowance for diminution in value of investment, foreign currency exchange differences and settlement of account.
- c) Generally, the effective tax rates were lower than the statutory tax rate as income derived from overseas projects were tax exempted. No taxation was provided in 1999 in view of tax waiver in 1999 pursuant to Income Tax (Amendment) Act, 1999.
- d) Gross earnings per share has been calculated based on profit before exceptional items and taxation on the number of ordinary shares issued.
- e) Net earnings per share has been calculated based on profit before exceptional items but after taxation on the number of ordinary shares issued.

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12. ACCOUNTANTS' REPORT (Cont'd)**3.2 SCESB**

	Audited					6 months
	Year ended 31 July					ended 31
	1998	1999	2000	2001	2002	January
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
Revenue	5,219	6,409	7,817	12,093	7,457	3,850
EBIDTA***	224	165	247	1,014	632	99
Interest expense	(103)	(9)	(11)	(12)	(59)	(45)
Depreciation	(48)	(42)	(39)	(60)	(45)	(23)
	(151)	(51)	(50)	(72)	(104)	(68)
Profit before taxation	73	114	197	942	528	31
Taxation	-	-	35	-	(310)	(9)
Profit after taxation	73	114	232	942	218	22
Number of ordinary shares of RM1.00 each in issue ('000)	3,000	3,000	3,000	3,000	3,000	3,000
Earnings per share (sen)						
- Gross	2.43	3.80	6.57	31.40	17.60	1.03
- Net	2.43	3.80	7.73	31.40	7.27	0.73
Effective tax rate (%)	-	-	(15.74)	14.44	32.20	29.03

*** Earnings before interest, depreciation, taxation and amortisation

There is no amortisation charge or extraordinary item for the year/period under review.

Notes: -

- a) No taxation was provided for 1998 and the effective tax rates for 2000 and 2001 were lower than the statutory tax as a result of the utilisation of capital allowances brought forward and unabsorbed tax losses.

No taxation was provided for in 1999 in view of tax waiver in 1999 pursuant to Income Tax (Amendment) Act, 1999.

The effective tax rates for 2002 and 2003 were higher than the statutory tax rates due to certain expenses disallowed for taxation deduction.

- b) There were no exceptional items for all the years/period under review.
- c) Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.3 SRSB**

	Audited					6 months ended 31 January 2003
	Year ended 31 July					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	-	-	794	794	794	397
EBIDTA***	(2)	(2)	428	445	984	172
Interest expense	-	-	(195)	(121)	(50)	(2)
Depreciation	-	-	(247)	(257)	(263)	(132)
	-	-	(442)	(378)	(313)	(134)
(Loss)/profit before taxation	(2)	(2)	(14)	67	671	38
Taxation	-	-	-	(153)	(117)	(60)
(Loss)/profit after taxation	(2)	(2)	(14)	(86)	554	(22)
Number of ordinary shares of RM1.00 each in issue ('000)	500	500	500	500	500	500
Earning per share (sen)						
- Gross	(0.4)	(0.4)	(2.8)	13.4	134.2	7.6
- Net	(0.4)	(0.4)	(2.8)	(17.2)	110.8	(4.4)
Effective tax rate (%)	-	-	(450.00)	138.81	16.99	157.89

*** Earnings before interest, depreciation, taxation and amortisation

There is no amortisation charge or extraordinary item for the year/period under review.

Notes: -

- a) There was no taxation charge for 1998 and 1999 as SRSB incurred losses.

The effective tax rate was higher than statutory tax rate in 2000, 2001 and 2003 due to certain expenses that are not deductible for tax purposes.

However, the effective tax rate is lower than statutory tax rate in 2002 as gain arising from sale of property is not subject to corporate tax but Real Property Gain Tax (RPGT). RPGT rate is lower than the statutory tax rate.

- b) There were no exceptional items for all the years/period under review.
- c) Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.4 ESB**

	← Audited Consolidation Level →					Audited Company Level	
	← Year ended 31 December →					7 months ended 31 July	6 months ended 31 January
	1997	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	17,853	23,933	36,507	23,374	25,833	23,494	30,378
EBIDTA***	1,135	1,372	4,822	3,729	3,626	2,499	7,119
Interest expense	(85)	(80)	(46)	(31)	(12)	(14)	(7)
Depreciation	(201)	(171)	(178)	(177)	(335)	(187)	(197)
	(286)	(251)	(224)	(208)	(347)	(201)	(204)
Profit from ordinary activities	849	1,121	4,598	3,521	3,279	2,298	6,915
Exceptional items	-	-	864	-	-	-	-
Profit before taxation	849	1,121	5,462	3,521	3,279	2,298	6,915
Taxation	(216)	(343)	(223)	(999)	(938)	(804)	(2,110)
Profit after exceptional items and taxation	633	778	5,239	2,522	2,341	1,494	4,805
Number of ordinary shares of RM1.00 each in issue at year/ period end ('000)	1,300	1,300	2,600	2,600	3,500	3,500	3,500
Earnings per share (sen)							
- Gross	65.31	86.23	176.85	135.42	93.69	65.66	197.57
- Net	48.69	59.85	168.27	97.00	66.89	42.69	137.28
Effective tax rate (%)	35.57	49.78	(0.42)	28.88	30.53	34.99	29.34

*** Earnings before interest, depreciation, taxation and amortisation

There is no amortisation charge or extraordinary item for the year/period under review.

Notes: -

- Consolidated financial statements were prepared for the years ended 31 December 1997 to 2001, whereas the financial statements for the period ended 31 July 2002 and 31 January 2003 were prepared on the Company level basis due to the disposal of all its subsidiary companies during the financial period ended 31 July 2002.
- The effective tax rates were higher than the statutory tax rate due to certain expenses not allowable for tax purposes.

No taxation was provided for in 1999 in view of tax waiver in 1999 pursuant to Income Tax (Amendment) Act, 1999.

12. ACCOUNTANTS' REPORT (Cont'd)



- c) Exceptional items represents contract revenue undertaken up in previous year.
- d) Gross earnings per share has been calculated based on profit before exceptional items and taxation on the number of ordinary shares issued.
- e) Net earnings per share has been calculated based on profit before exceptional items but after taxation on the number of ordinary shares issued.

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12. ACCOUNTANTS' REPORT (Cont'd)**3.5 PMSB**

	Audited					
	Year ended 31 July					6 months ended 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	1,055	31,605	1,110	-	-	-
EBIDTA***	260	2,375	2,424	1	(4)	(1)
Depreciation	(7)	(6)	(3)	-	-	-
Profit/(Loss) before taxation	253	2,369	2,421	1	(4)	(1)
Taxation	-	-	10	(53)	-	-
Profit/(Loss) after taxation	253	2,369	2,431	(52)	(4)	(1)
Number of ordinary shares of RM1.00 each in issue at year end ('000)	200	200	200	200	200	200
Earnings per share (sen)						
- Gross	126.5	1,184.5	1,210.5	0.50	(2.0)	(0.5)
- Net	126.5	1,184.5	1,215.5	(26.0)	(2.0)	(0.5)
Effective tax rate (%)	-	-	-	5,300	-	-

*** Earnings before interest, depreciation, taxation and amortisation

There is no interest expense, amortisation charge or extraordinary item for the year/period under review.

Notes: -

- There were no revenue for the financial years ended 31 July 2001 and 2002 and financial period ended 31 January 2003 as PMSB remained dormant subsequent to the completion of a project in Vietnam.
- There was no tax charge from 1998 to 2000 despite the profitability due to tax exemption on foreign income remitted. The RM10,000 tax credit in 2000 was in respect of over-provision of taxation in prior years.

No taxation was provided for in 1999 in view of the tax waiver pursuant to the Income tax (Amendment) Act, 1999. The RM53,000 tax charge in 2001 was in respect of under-provision of taxation in prior years.

There was no tax charge in 2002 and 2003 as PMSB remained dormant.

- There were no exceptional items for all the years/period under review.
- Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.6 BTESB**

	Audited					
	Year ended 31 July					6 months ended 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	24,536	153	-	-	-
(Loss)/profit before taxation	(2)	1,997	26	-	(4)	(1)
Taxation	-	-	-	148	-	-
(Loss)/profit after taxation	(2)	1,997	26	148	(4)	(1)
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,700	1,700	1,700	1,700	1,700	1,700
Earnings per share (sen)						
- Gross	(0.12)	117.47	1.53	-	(0.24)	(0.06)
- Net	(0.12)	117.47	1.53	8.71	(0.24)	(0.06)

There is no depreciation, interest expense, amortisation charge or extraordinary item for the year/period under review.

Notes: -

a) There was no revenue for financial years ended 31 July 2001 and 2002 and financial period ended 31 January 2003 as BTESB remained dormant subsequent to the completion of a project in Vietnam.

b) No taxation was provided for in 1998, 2001, 2002 and 2003 as BTESB was dormant.

No taxation was provided for in 1999 in view of the tax waiver for 1999 pursuant to Income Tax (Amendment) Act 1999.

There was no taxation charge in 2000 due to tax exemption on foreign income remitted.

In 2001, there was an overprovision of taxation from previous years.

c) There were no exceptional items for all the years/period under review.

d) Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.7 IWSSB**

	← Audited →					
	Year ended 2 January 1998** RM'000	18 months ended 31 July 1999** RM'000	← Year ended 31 July →			6 months ended 31 January 2003 RM'000
			2000 RM'000	2001 RM'000	2002 RM'000	
Revenue	-	-	1,345	1,471	1,633	695
Profit before taxation	-	-	1,336	1,510	1,632	707
Taxation	-	-	-	(12)	(2)	(4)
Profit after taxation	-	-	1,336	1,498	1,630	703
Number of ordinary shares of RM1.00 each in issue at year end ('000)	*	*	20	20	20	20
Weighted average number of ordinary shares of RM1.00 each in issue ('000) including the issue of RM19,998 ordinary shares of RM1.00 each on 12 April 2000	*	*	13.25	20	20	20
Earnings per share (sen)						
- Gross	-	-	6,680	7,550	8,160	3,535
- Net	-	-	6,680	7,490	8,150	3,515

There is no depreciation, interest expense, amortisation charge or extraordinary item for the year/period under review.

* Represents 2 ordinary shares of RM1.00 each.

** No income statements were prepared for the years/period ended 1998 and 1999 as IWSSB had not commenced operations.

Notes: -

- Currently, IWSSB has an operation and maintenance contract with BAWC, Vietnam commencing from 1.8.1999 for 20 years.
- There was no/minimal tax charge, as IWSSB's revenue arose mainly from foreign income remitted, which is exempted from income tax.
- There were no exceptional items for all the years/period under review.
- Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.8 EUCSB**

	Audited					
	Year ended 31 July					6 months ended 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	26,874	29,412	32,669	13,905
EBIDTA***	1,346	(39)	18,796	20,246	24,246	10,807
Interest expense	-	-	(6,067)	(5,660)	(2,646)	(988)
Depreciation	-	-	(7,008)	(6,938)	(6,970)	(3,847)
Amortisation	(1)	-	(164)	(164)	(164)	(82)
	(1)	-	(13,239)	(12,762)	(9,780)	(4,917)
Profit/(Loss) before taxation	1,345	(39)	5,557	7,484	14,466	5,890
Taxation	-	-	(2)	-	(125)	-
Profit/(Loss) after taxation before minority interest	1,345	(39)	5,555	7,484	14,341	5,890
Minority interests	-	-	(457)	(686)	(1,453)	(337)
Profit attributable to shareholders	1,345	(39)	5,098	6,798	12,888	5,553
Number of ordinary shares of RM1.00 each in issue at year end ('000)	2,000	2,000	2,000	2,000	2,000	2,000
Earnings per share (sen)						
- Gross	67.25	(1.95)	277.9	374.2	723.3	294.5
- Net	67.25	(1.95)	277.8	374.2	717.1	294.5

There is no extraordinary item for the year/period under review.

*** *Earnings before interest, depreciation, taxation and amortisation*

Notes: -

- The principal activity of EUCSB is investing in a subsidiary company which undertakes the development of a water treatment plant on a build-operate-transfer basis in Ho Chi Minh City, Vietnam.
- BAWC, a 90% subsidiary company owned by EUCSB, was incorporated in Vietnam as a 100% foreign owned company. The principal activities of BAWC are to produce and supply treated water to Ho Chi Minh City and the neighbouring Industrial Zones, under the licence issued by the Ministry of Planning and Investment. The licence is valid for 20 years from the date of commencement of operations. The construction of the plant was completed during the financial year 1999 and BAWC commenced operations on 1.8.1999.

12. ACCOUNTANTS' REPORT (Cont'd)



- c) Effective tax rate is lower than the statutory tax rate as revenue derived from BAWC is exempted from corporate income tax (as stipulated in BAWC's investment license) for four years starting from the first profit making year and is entitled to 50% reduction of tax payable for the subsequent four years. A 10% business income tax will apply for the remaining years of the project.
- d) There were no exceptional items for all the years/period under review.
- e) Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

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12. ACCOUNTANTS' REPORT (Cont'd)**3.9 SESSB**

	Audited					
	Year ended 31 July					6 months ended 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	-	-	-	-	-	6,458
EBIDTA***	(14)	(2)	(2)	(3)	(3)	2,298
Depreciation	-	-	-	-	-	(1)
Profit before taxation	(14)	(2)	(2)	(3)	(3)	2,297
Taxation	-	-	-	-	-	(643)
Profit after taxation	(14)	(2)	(2)	(3)	(3)	1,654
Number of ordinary shares of RM1.00 each in issue ('000)						
- 2 ordinary shares of RM1 each						
- 499,998 ordinary shares of RM1 each and paid up to RM0.50	500	500	500	500	500	500
Earnings per share (sen)						
- Gross	(2.80)	(0.40)	(0.40)	(0.60)	(0.60)	459.4
- Net	(2.80)	(0.40)	(0.40)	(0.60)	(0.60)	330.8
Effective tax rate (%)	-	-	-	-	-	28.00

There is no interest expense, amortisation charge or extraordinary item for the year/period under review.

*** *Earnings before interest, depreciation, taxation and amortisation*

Notes: -

- a) Previously the principal activities of SESSB consist of trading and contracting of steel gratings and other types of floor grating. It became dormant in 1997.

Subsequently in the financial period 2003, SESSB changed its principal activity to be that of operation and maintenance of water treatment plants and re-commenced operations.

- b) There were no exceptional items for all the years/period under review.
- c) Gross and net earnings per share are calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

12. ACCOUNTANTS' REPORT (Cont'd)**3.10 SBSSB**

	Audited					6 months ended 31 January 2003
	Year ended 31 July					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	-	-	-	-	-	-
Loss before taxation	(1)	(2)	(3)	(3)	(353)	(1)
Taxation	-	-	-	-	-	-
Loss after taxation	(1)	(2)	(3)	(3)	(353)	(1)
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,400	1,400	1,400	1,400	1,400	1,400
Earning per share (sen)	(0.07)	(0.14)	(0.21)	(0.21)	(25.21)	(0.07)

There is no depreciation, interest expense, amortisation charge or extraordinary item for the year/period under review.

Notes: -

- a) SBSSB recommenced its operation as building contractors in 2002 and expenses incurred consisted mainly of staff cost and rental expenses. However, no revenue was recognised because the completion stage of the projects were not significant.

There were no further activities in respect of the projects in 2003.

- b) There were no exceptional items for all the years/period under review.
- c) Earnings per share is calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

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12. ACCOUNTANTS' REPORT (Cont'd)**3.11 SKSB**

	← Audited →					
	← Year ended 31 July →					6 months ended 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Revenue	-	-	-	-	-	-
Loss before taxation	(1)	(2)	(40)	(3)	(3)	(1)
Taxation	-	-	-	-	-	-
Loss after taxation	(1)	(2)	(40)	(3)	(3)	(1)
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Earnings per share (sen)	(0.1)	(0.2)	(4.0)	(0.3)	(0.3)	(0.1)

There is no depreciation, interest expense, amortisation charge or extraordinary item for the year/period under review.

Notes: -

- There were no exceptional items for all the years/period under review.
- Earnings per share is calculated based on profit before taxation and after taxation, respectively, on the number of ordinary shares in issue.

3.12 EMCCSB, SASB, SSSB, SCSB and SWHK

No financial information is presented as these companies are insignificant to the Salcon Group.

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12. ACCOUNTANTS' REPORT (Cont'd)**4 Summarised Balance Sheets****4.1 SEB Group**

The following financial information of SEB Group is based on the audited financial statements of SEB Group for the financial years ended 31 July 1998 to 2002 and six-month ended 31 January 2003.

	Audited					
	As at 31 July					As at 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	13,874	16,947	18,245	15,689	16,398	17,521
Investment in associated company	17,950	31,862	33,775	35,980	40,564	59,215
Other investment	-	-	-	-	140	140
Intangible assets	261	243	218	200	3,678	3,604
Amount owing from holding company	30,316*	39,538*	16,923*	-	-	-
Current assets	112,745	90,322	86,498	168,247	183,268	227,171
Less: Current liabilities	(121,383)	(108,085)	(79,135)	(134,510)	(146,667)	(196,488)
Net current (liabilities)/assets	(8,638)	(17,763)	7,363	33,737	36,601	30,683
	53,763	70,827	76,524	85,606	97,381	111,163
Financed by :-						
Share capital	20,000	20,000	20,000	20,000	20,000	20,000
Capital reserve	300	300	300	300	300	300
Revaluation reserve	-	-	-	97	97	97
Retained profits	31,939	46,447	54,648	64,695	73,291	84,753
Shareholders' funds	52,239	66,747	74,948	85,092	93,688	105,150
Minority interest	-	-	215	312	3,055	4,782
Deferred taxation	1,524	1,524	-	-	17	122
Hire purchase creditor	-	242	103	-	621	1,109
Bank borrowings	-	2,314	1,258	202	-	-
	53,763	70,827	76,524	85,606	97,381	111,163
Number of ordinary shares of RM1.00 each in issue at year end ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Net tangible assets ("NTA") (RM'000)	51,978	56,266	63,761	74,501	80,198	75,168
NTA per ordinary share (RM)	2.60	2.81	3.19	3.72	4.01	3.76

* Amount was reclassified to short term in subsequent years as the management did not specify any terms of the repayment for the holding company

12. ACCOUNTANTS' REPORT (Cont'd)**4.2 SEB**

	Audited				
	As at 31 July				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,352	1,792	2,440	1,811	2,832
Investments	20,039	34,911	34,921	34,921	41,764
Amount due from holding company	30,316*	-	-	-	-
Current assets	115,107	128,504	116,247	172,744	167,163
Less: Current liabilities	(113,868)	(101,541)	(85,454)	(134,510)	(133,368)
Net current assets	1,239	26,963	30,793	38,234	33,795
	52,946	63,666	68,154	74,966	78,391
Financed by :-					
Share capital	20,000	20,000	20,000	20,000	20,000
Retained profits	31,422	41,900	48,051	54,966	57,770
Shareholders' funds	51,422	61,900	68,051	74,966	77,770
Deferred taxation	1,524	1,524	-	-	-
Hire purchase creditor	-	242	103	-	621
	52,946	63,666	68,154	74,966	78,391
Number of ordinary shares of RM1.00 each in issue at year end ('000)	20,000	20,000	20,000	20,000	20,000
Net tangible assets ("NTA") (RM'000)	51,422	61,900	68,051	74,966	77,770
NTA per ordinary share (RM)	2.57	3.10	3.40	3.75	3.89

* Amount was reclassified to short term in subsequent years as the management did not specify any terms of repayment for the holding company

12. ACCOUNTANTS' REPORT (Cont'd)**4.3 SCESB**

	Audited					
	As at 31 July					As at 31 January 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	107	65	212	265	222	199
Current assets	2,537	2,593	4,359	6,189	8,741	7,303
Less: Current liabilities	(1,002)	(902)	(2,583)	(3,524)	(5,815)	(4,332)
Net current assets	1,535	1,691	1,776	2,665	2,926	2,971
	1,642	1,756	1,988	2,930	3,148	3,170
Financed by :-						
Share capital	3,000	3,000	3,000	3,000	3,000	3,000
(Accumulated losses) / Retained profits	(1,358)	(1,244)	(1,012)	(70)	148	170
Shareholders' funds	1,642	1,756	1,988	2,930	3,148	3,170
Number of ordinary shares of RM1.00 each in issue at year end ('000)	3,000	3,000	3,000	3,000	3,000	3,000
Net tangible assets ("NTA") (RM'000)	1,642	1,756	1,988	2,930	3,148	3,170
NTA per ordinary share (RM)	0.55	0.59	0.66	0.98	1.05	1.06

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12. ACCOUNTANTS' REPORT (Cont'd)**4.4 SRSB**

	Audited					
	As at 31 July					As at 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	12,406	15,088	15,595	13,616	11,230	11,099
Current assets	1,822	1,633	1,435	1,351	312	308
Less: Current liabilities	(12,499)	(14,803)	(16,181)	(15,258)	(11,481)	(11,368)
Net current liabilities	(10,677)	(13,170)	(14,746)	(13,907)	(11,169)	(11,060)
	1,729	1,918	849	(291)	61	39
Financed by :-						
Share capital	500	500	500	500	500	500
Accumulated losses	(894)	(896)	(909)	(993)	(439)	(461)
Shareholders' funds	(394)	(396)	(409)	(493)	61	39
Bank borrowings (secured)	2,123	2,314	1,258	202	-	-
	1,729	1,918	849	(291)	61	39
Number of ordinary shares of RM1.00 each in issue at year end ('000)	500	500	500	500	500	500
Net tangible assets ("NTA") (RM'000)	(394)	(396)	(409)	(493)	61	39
NTA per ordinary share (RM)	(0.79)	(0.79)	(0.82)	(0.99)	0.12	0.08

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12. ACCOUNTANTS' REPORT (Cont'd)**4.5 ESB**

	Audited						
	Consolidation Level					Company Level**	
	As at 31 December					As at 31 July	As at 31 January
	1997 RM'000	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	2,690	3,244	4,268	6,211	7,298	2,116	2,852
Investments	49	189	189	140	140	140	140
Goodwill on consolidation	45	86	69	47	31	-	-
Current assets	5,253	10,695	12,709	10,976	11,776	15,003	26,370
Less: Current liabilities	(4,632)	(10,421)	(10,934)	(10,072)	(14,481)	(10,667)	(17,652)
Net current assets/(liabilities)	621	274	1,775	904	(2,705)	4,336	8,718
	3,405	3,793	6,301	7,302	4,764	6,592	11,710
Financed by :-							
Share capital	1,300	1,300	2,600	2,600	3,500	3,500	3,500
Share premium	83	83	83	83	83	65	65
Revaluation reserve	-	-	-	-	-	224	224
Retained profits	1,540	2,037	3,376	4,598	1,164	2,786	7,591
Shareholders' funds	2,923	3,420	6,059	7,281	4,747	6,575	11,380
Deferred taxation	47	32	9	9	17	17	122
Bank borrowings	263	276	196	-	-	-	-
Hire purchase creditors	164	65	37	12	-	-	208
Minority interest	8	-	-	-	-	-	-
	3,405	3,793	6,301	7,302	4,764	6,592	11,710
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,300	1,300	2,600	2,600	3,500	3,500	3,500
Net tangible assets (NTA) (RM'000)	2,878	3,334	5,990	7,234	4,716	6,575	11,380
NTA per ordinary share (RM)	2.21	2.56	2.30	2.78	1.35	1.88	3.25

** Consolidated financial statements were prepared for the years ended 31 December 1997 to 2001, whereas the financial statements for the period ended 31 July 2002 and 31 January 2003 were prepared on the Company Level basis due to the disposal of all its subsidiary companies during the financial period ended 31 July 2002.

12. ACCOUNTANTS' REPORT (Cont'd)**4.6 PMSB**

	Audited				
	As at 31 July				As at 31 January
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	11	5	-	-	-
Current assets	5,726	14,780	5,933	2,927	2,922
Less: Current liabilities	(5,221)	(11,899)	(3,016)	(63)	(62)
Net current assets	505	2,881	2,917	2,864	2,860
	516	2,886	2,917	2,864	2,860
Financed by :-					
Share capital	200	200	200	200	200
Capital reserve	71	71	-	-	-
Retained profits	245	2,615	2,717	2,664	2,660
Shareholders' funds	516	2,886	2,917	2,864	2,860
Number of ordinary shares of RM1.00 each in issue at year end ('000)	200	200	200	200	200
Net tangible assets ("NTA") (RM'000)	516	2,886	2,917	2,864	2,860
NTA per ordinary share (RM)	2.58	14.43	14.59	14.32	14.30

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12. ACCOUNTANTS' REPORT (Cont'd)**4.7 BTESB**

	Audited					
	As at 31 July					As at 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Investment in subsidiary companies	673	673	673	673	673	673
Current assets	4,619	10,407	2,957	1,461	1,291	1,290
Less: Current liabilities	(4,322)	(8,114)	(1,828)	(184)	(18)	(17)
Net current assets	297	2,293	1,129	1,277	1,273	1,273
	970	2,966	1,802	1,950	1,946	1,946
Financed by :-						
Share capital	1,700	1,700	1,700	1,700	1,700	1,700
(Accumulated losses)/ Retained profits	(730)	1,266	102	250	246	246
Shareholders' funds	970	2,966	1,802	1,950	1,946	1,946
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,700	1,700	1,700	1,700	1,700	1,700
Net tangible assets ("NTA") (RM'000)	970	2,966	1,802	1,950	1,946	1,946
NTA per ordinary share (RM)	0.57	1.74	1.06	1.15	1.14	1.14

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12. ACCOUNTANTS' REPORT (Cont'd)**4.8 IWSSB**

	← Audited →					
	As at 2 January 1998 RM'000	← As at 31 July 1999 RM'000	2000 RM'000	2001 RM'000	→ 2002 RM'000	As at 31 January 2003 RM'000
Expenditure carried forward	7	8	-	-	-	-
Current assets	-	1	1,356	1,567	1,802	1,405
Less: Current liabilities	(7)	(9)	-	(14)	(19)	(20)
Net current (liabilities)/assets	(7)	(8)	1,356	1,553	1,783	1,385
	#	#	1,356	1,553	1,783	1,385
Financed by :-						
Share capital	#	#	20	20	20	20
Retained profits	-	-	1,336	1,533	1,763	1,365
Shareholders' funds	#	#	1,356	1,553	1,783	1,385
Number of ordinary shares of RM1.00 each in issue at year end ('000)	*	*	20	20	20	20
Net tangible assets ("NTA") (RM'000)	-	-	1,356	1,553	1,783	1,385
NTA per ordinary share (RM)	1.0	1.0	67.8	77.7	89.2	69.25

* 2 ordinary shares of RM1.00 each

RM2

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12. ACCOUNTANTS' REPORT (Cont'd)**4.9 EUCSB**

	←———— Audited —————→					
	←———— As at 31 July —————→				As at 31 January 2003	
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Property, plant and equipment	424	336	128,424	121,575	114,894	111,685
Development expenditure	3,272	3,272	-	-	-	-
Construction work-in-progress	44,557	133,660	-	-	-	-
Investments	4,292	4,292	4,292	4,292	4,292	4,292
Goodwill*	-	-	3,108	2,944	2,780	2,698
Current assets	2,324	11,678	5,724	9,691	15,059	17,420
Less: Current liabilities	(6,634)	(41,287)	(30,654)	(16,652)	(16,406)	(17,176)
Net current liabilities	(4,310)	(29,609)	(24,930)	(6,961)	(1,347)	244
Expenditure carried forward	1,797	1,797	-	-	-	-
	50,032	113,748	110,894	121,850	120,619	118,919
Financed by :-						
Share capital	2,000	2,047	2,047	2,047	2,047	2,047
Share premium	-	46,953	46,953	46,953	46,953	46,953
Exchange equalisation reserve	5,140	5,084	5,084	5,084	5,084	5,084
Retained profits	831	792	5,890	12,688	25,576	31,129
Shareholders' funds	7,971	54,876	59,974	66,772	79,660	85,213
Minority Interests	4,093	4,104	4,561	5,247	6,309	6,646
Amounts due to an affiliated company	37,968	38,101	37,024	431	450	460
Bank borrowings	-	16,667	9,335	49,400	34,200	26,600
	50,032	113,748	110,894	121,850	120,619	118,919
Number of ordinary shares of RM1.00 each in issue at year end ('000)	2,000	2,000	2,000	2,000	2,000	2,000
Net tangible assets ("NTA") (RM'000)	6,174	53,079	56,866	63,828	76,880	82,515
NTA per ordinary share (RM)	3.09	26.54	28.43	31.91	38.44	41.26

* Goodwill arose from the acquisition of BAWC. It was amortised, resulting in its reduction in subsequent years.

12. ACCOUNTANTS' REPORT (Cont'd)**4.10 SESSB**

	Audited					As at 31 January 2003
	As at 31 July					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Plant and equipment	-	-	-	-	-	36
Current assets	123	121	120	117	114	5,593
Less: Current liabilities	(2)	(2)	(2)	(2)	(2)	(3,862)
Net current assets	121	119	118	115	112	1,731
	121	119	118	115	112	1,767
Financed by :-						
Share capital	250	250	250	250	250	250
Reserves	(129)	(131)	(132)	(135)	(138)	1,517
Shareholders' funds	121	119	118	115	112	1,767
Number of ordinary shares of RM1.00 each in issue at year end ('000)						
- 2 ordinary shares of RM1 each						
- 499,998 ordinary shares of RM1 each and paid up to RM0.50	500	500	500	500	500	500
Net tangible assets ("NTA") (RM'000)	121	119	118	115	112	1,767
NTA per ordinary share (RM)	0.24	0.24	0.24	0.23	0.22	3.53

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12. ACCOUNTANTS' REPORT (Cont'd)**4.11 SBSSB**

	Audited				
	As at 31 July				
	1998	1999	2000	2001	2002
	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	2	2	-	-	2,458
Less: Current liabilities	(1,083)	(1,084)	(1,086)	(1,089)	(3,899)
Net current liabilities	(1,081)	(1,082)	(1,086)	(1,089)	(1,441)
Financed by :-					
Share capital	1,400	1,400	1,400	1,400	1,400
Accumulated losses	(2,481)	(2,482)	(2,486)	(2,489)	(2,841)
Shareholders' funds	(1,081)	(1,082)	(1,086)	(1,089)	(1,441)
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,400	1,400	1,400	1,400	1,400
Net tangible assets ("NTA") (RM'000)	(1,081)	(1,082)	(1,086)	(1,089)	(1,441)
NTA per ordinary share (RM)	(0.77)	(0.77)	(0.78)	(0.78)	(1.03)

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12. ACCOUNTANTS' REPORT (Cont'd)**4.12 SKSB**

	Audited					
	As at 31 July					As at 31 January
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current assets	898	897	857	854	851	850
Less: Current liabilities	(42)	(42)	(42)	(42)	(42)	(41)
Net current assets	856	855	815	812	809	809
Financed by :-						
Share capital	1,000	1,000	1,000	1,000	1,000	1,000
Accumulated losses	(144)	(145)	(185)	(188)	(191)	(191)
Shareholders' funds	856	855	815	812	809	809
Number of ordinary shares of RM1.00 each in issue at year end ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Net tangible assets ("NTA") (RM'000)	856	855	815	812	809	809
NTA per ordinary share (RM)	0.86	0.86	0.82	0.81	0.81	0.81

4.13 EMCCSB, SASB, SSSB, SCSB and SWHK

No financial information is presented as these companies are insignificant to the Salcon Group.


12. ACCOUNTANTS' REPORT (Cont'd)**5 Proforma Statement of Assets and Liabilities of Salcon Group**

The following is a proforma statement of assets and liabilities of the Proforma Salcon Group, which have been prepared for illustrative purposes only, is based on the audited financial statements of Salcon and its subsidiary companies as at 31 January 2003. The proforma statement of assets and liabilities of the Salcon Group have been prepared on the assumption that the subsidiary companies were acquired on 31 January 2003 and should be read in conjunction with the notes thereon.



Proforma	(1)	(2)	(3)	(4)	(5)
	Audited Balance Sheet of Salcon	After (1) and Acquisition of SEB by Salcon	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and Proposed ESOS
Notes					
(RM'000)					
Property, plant and equipment	-	17,521	17,521	17,521	17,521
Investment in associated companies	-	65,723	65,723	65,723	65,723
Other investment	-	140	140	140	140
Investment in jointly controlled entities	-	-	-	-	-
Intangible asset	-	28,417	28,417	-	-
Goodwill	-	3,604	3,604	3,604	3,604
	-	115,405	115,405	86,988	86,988
Current Assets					
Inventories	-	258	258	258	258
Trade and other receivables	-	204,260	204,260	204,260	204,260
Tax recoverable	-	7	7	7	7
Cash and cash equivalents	**	16,138	51,178	20,678	43,629
	**	220,663	255,703	225,203	248,154
Current Liabilities					
Trade and other payables	-	157,974	157,974	129,974	129,974
Borrowings	-	64,043	64,043	64,043	64,043
Taxation	-	2,471	2,471	2,471	2,471
	-	224,488	224,488	196,488	196,488
Net Current (Liabilities)/Assets	**	(28,000)	(3,825)	28,715	51,666
	**	417	111,580	115,703	138,654

12. ACCOUNTANTS' REPORT (Cont'd)**5 Proforma Statement of Assets and Liabilities of salcon Group (continued)**

						
Proforma	Audited Balance Sheet of Salcon	(1) After Share Exchange	(2) After (1) and Proposed Acquisition of SEB by Salcon	(3) After (2) and Proposed Public Issue	(4) After (3) and Proposed Debt Settlement	(5) After (4) and Proposed ESOS
	(RM'000)					
Financed by:						
Capital And Reserves						
5.11 Share Capital	**	417	80,615	95,215	95,631	105,194
5.12 Share premium	-	-	-	20,440	17,940	31,328
5.13 Reserves	-	-	24,952	24,952	(3,881)	(3,881)
	**	417	105,567	140,607	109,690	132,641
Shareholders' funds						
Minority Shareholders' Interests						
	-	-	4,782	4,782	4,782	4,782
Long Term And Deferred Liabilities						
Borrowings	-	-	1,109	1,109	1,109	1,109
Deferred taxation	-	-	122	122	122	122
	**	417	111,580	146,620	115,703	138,654
Net tangible assets per share (RM)						
	-	(33.60)	0.29	0.43	0.42	0.49

** RM1

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE STATEMENT OF ASSETS AND LIABILITIES****5.1. Restructuring Scheme**

The Proforma Consolidated Balance Sheets of the Salcon Group as set out above have been prepared solely for illustrative purposes and on the assumption that the following transactions had been effected on 31 January 2003.

(i) Incorporation of Salcon

The incorporation of Salcon, involving the establishment of a new private limited company in Malaysia, is to be used as an investment holding company to facilitate the restructuring of Seng Hup Corporation Berhad ("SHCB"). Salcon was subsequently converted to be a public limited company on 24 February 2003. SSB will later assume the listing status of SHCB pursuant to the Listing Proposals of Salcon Engineering Berhad ("SEB") and SHCB will be delisted.

(ii) Proforma 1 – Share exchange

Salcon is to acquire 100% of SHCB via the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon ("Salcon Shares") at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) shares in SHCB held, i.e. shareholders of SHCB will receive 833,250 Salcon Shares in exchange for 19,998,000 Shares in SHCB held by them.

Upon completion of the share exchange, SHCB will become a wholly-owned subsidiary of Salcon. It is the intention of Salcon to acquire and hold SHCB exclusively for the implementation of the Listing Proposals of SEB with a view of its subsequent disposal.

Upon completion of the Listing Proposals of SEB, Salcon will become the investment holding company for the restructured group.

(iii) Proforma 2 – Acquisition of SEB by SSB

Proforma 2 incorporates the effects of Proforma 1 and acquisition of SEB Group.

Salcon is to acquire the entire issued and paid-up share capital of SEB from SEB's existing shareholders, namely Kumpulan Emas Berhad ("KEB"), Mampu Alam Sdn Bhd ("MASB") and Eminent Triumph Sdn Bhd ("ETSB") (collectively known as "SEB Vendors") for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 Salcon Shares at an issue price of RM0.50 per Salcon Share.

Upon completion of the acquisition, SEB will become a wholly owned subsidiary of Salcon. Subsequently, the principal activities of the SEB group of companies will be the core business of the Salcon Group.

Proforma 2 also incorporates the effects of SEB group of companies assuming that investment in preference shares of Palm Tech India Ltd has been completed.

12. ACCOUNTANTS' REPORT (Cont'd)**(iv) Proforma 3 – Public issue**

Proforma 3 incorporates the effects of Proforma 1 and 2 and public issue.

Upon completion of the acquisition, Salcon will undertake a public issue of 29,200,000 new ordinary shares of RM0.50 each in Salcon at an indicative issue price of RM1.20 per share. The shares will be issued to the eligible directors and employees of SEB group of companies and the Malaysian public.

The public issue of Salcon shares will enable Salcon to raise RM35 million, of which RM28 million cash will be utilised for the debt settlement to SHCB's Creditors.

(v) Proforma 4 – Debt settlement

Proforma 4 incorporates the effects of Proforma 1, 2 and 3 and debt settlement.

Proforma 4 incorporates the issuance of 833,250 new ordinary shares of RM0.50 each in SSB Shares at par to the Creditors of SHCB.

Apart from that, the proceeds to be raised from the public issue of Salcon shares at an issue price of RM1.20 per share will amount to RM35 million and is to be utilised as follows:

	RM'000
Debt settlement to SHCB creditors	28,000
Working capital	4,540
Restructuring and listing expenses	2,500
	35,040

(vi) Proforma 5 – Proposed Employee Share Option Scheme (Proposed ESOS)

SSB proposes to offer to eligible employees (including eligible executive directors) of SSB, the options to subscribe for SSB Shares. The maximum number of new SSB Shares offered under the Proposed ESOS shall not exceed 10% of the issued and paid-up share capital of the SEB at any point in time during the duration of the proposed ESOS. The Directors of SSB assume that the Proposed ESOS will be fully exercised.

5.2 Basis of preparation

The financial statements of the Proforma Salcon Group and the Company have been prepared in accordance with applicable accounting standards in Malaysia.

5.3 Significant Accounting Policies

The following accounting policies are adopted by the Proforma Salcon Group and the Company.

(a) Basis of Consolidation

The Proforma Salcon Group's financial statements have been prepared based on the audited financial statements of the Company and its subsidiary companies as at 31 January 2003. The results of SEB's subsidiary companies are included in the consolidated financial statements from the date of acquisition. All material related company transactions and balances have been eliminated on consolidation.

12. ACCOUNTANTS' REPORT (Cont'd)

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the proforma consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

A subsidiary company is excluded from consolidation when control is intended to be temporary if the subsidiary company is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiary companies excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Proforma Salcon Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(b) Associated Companies

Associated companies are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the total recognised gains and losses of associated companies on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associated companies which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associated companies. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

(c) Joint venture

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of its interest in jointly controlled entities, the Group uses the equity method to account for its interest.

Unrealised profits or losses arising from transactions between the Group and its joint venturers are recognised only to the extent of that portion of the gain or loss which is attributable to the interests of the other venturers. Unrealised losses are recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

12. ACCOUNTANTS' REPORT (Cont'd)**(d) Property, Plant and Equipment****i) Owned assets**

Property, plant and equipment except for freehold land and buildings and leasehold properties are stated at cost/valuation less accumulated depreciation.

The Group revalues its properties comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

ii) Assets under hire purchase

Property, plant and equipment financed by hire purchase agreements are capitalised at cost. The interest element is charged to income statement over the period of the agreement and accounted for on a sum-of-digits method.

(e) Depreciation

Freehold land and assets under construction are not amortised. Leasehold properties are amortised in equal instalments over the period of the respective leases which range from ten to ninety-nine years.

The straight line method is used to write off the cost of other assets over the term of their estimated useful lives at the following principal annual rates:

	Years
Freehold buildings	50
Furniture and fittings	10
Office equipment	5
Motor vehicles	5
Plant and machinery	5

(f) Impairment

The carrying amount of the Group's assets, other than inventories (refer note 1(i)), assets arising from construction contracts and financial assets (other than investments in subsidiary and associated companies and joint ventures), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

12. ACCOUNTANTS' REPORT (Cont'd)

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

(g) Intangible asset***Goodwill***

Goodwill represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation.

Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years. An impairment loss is also recognised when the Directors are of the view that there is a diminution in its value which is other than temporary.

In respect of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

(h) Investments

Long term investments are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

(i) Inventories

Inventories consist of spares and supplies, are valued at the lower of cost and net realisable value. Cost is the aggregate of cost of purchase and other costs incurred in bringing the stocks to their present location and condition and is determined on the weighted average basis.

(j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

(k) Amount Due From Contract Customers

Amount due from contract customers on construction contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in other payables as amount due to contract customers.

12. ACCOUNTANTS' REPORT (Cont'd)**(l) Cash and Cash Equivalents**

Cash and cash equivalents consist cash on hand, balances and deposits with banks. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(m) Liabilities

Borrowings and trade and other payables are stated at cost

(n) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided under the liability method for all material timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(o) Foreign Currency Transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	RM
1 USD	3.80
1 SGD	2.19
100 IDR	0.03

(p) Revenue**i) Good sold**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

ii) Construction contracts

Revenue from long term fixed price construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

12. ACCOUNTANTS' REPORT (Cont'd)



iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

iv) Interest income

Interest income is recognised in the income statement as it accrues taking into account the effective yield on the assets.

(q) Financing Costs

Financing costs comprise interest payable on borrowings.

All interest and other costs incurred in connection with borrowings are expensed as incurred.

12. ACCOUNTANTS' REPORT (Cont'd)

5.4 Property, plant and equipment

Proforma Group (RM'000)	Freehold land	Buildings	Long term leasehold property	Short term leasehold property	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Total
<i>Cost/Valuation</i>								
Opening balance	491	12,038	411	230	726	5,056	2,829	21,781
Additions	324	-	-	-	38	1,441	131	1,934
Write off	-	-	-	-	-	-	(234)	(234)
Disposals	-	-	-	-	-	(451)	-	(451)
Transfers	-	-	-	-	85	(85)	-	-
Closing balance	815	12,038	411	230	849	5,961	2,726	23,030
Representing items at:								
- Cost	815	1,038	-	-	849	5,961	2,726	11,389
- Directors' valuation	-	11,000	411	230	-	-	-	11,641
	815	12,038	411	230	849	5,961	2,726	23,030
<i>Accumulated depreciation</i>								
Opening balance	-	679	15	35	688	2,389	1,577	5,383
Charge for the year	-	116	2	3	16	461	169	767
Write off	-	-	-	-	-	-	(214)	(214)
Disposals	-	-	-	-	-	(427)	-	(427)
Transfer	-	-	-	-	7	(7)	-	-
Closing balance	-	795	17	38	711	2,416	1,532	5,509
<i>Net book value</i>								
At 31 January 2003	815	11,243	394	192	138	3,545	1,194	17,521

12. ACCOUNTANTS' REPORT (Cont'd)**5.4 Property, plant and equipment (continued)*****Revaluation***

Short term leasehold property is stated at Directors' valuation based on professional valuation made by Mr Jason Vun Foh Vui, a registered valuer in Henry Butcher, Lim & Long (Sabah) Sdn. Bhd. on the open market basis conducted on 4 July 2001.

Long term leasehold property is stated at Directors' valuation based on professional valuation made by Mr Lim Chow Wah, a registered valuer in Henry Butcher, Lim & Long (Malacca) Sdn. Bhd. on the open market basis conducted on 31 July 2001.

Freehold buildings of a subsidiary company were stated at Directors' valuation based on professional valuation made by Mr Long Tian Chek, a registered valuer in Henry Butcher, Lim & Long Sdn. Bhd. on open market basis conducted on 30 July 2001.

Had the buildings and leasehold properties been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the period would be as follows:

	Proforma Group
	31.1.2003
	RM'000
Freehold land and buildings	10,672
Long term leasehold property	690
Short term leasehold property	101

	11,463
	=====

Security

Freehold land and buildings of the Proforma Group with net book value of RM697,000 are pledged to a licensed bank as security for bank guarantee granted to a subsidiary company.

Assets under hire purchase

Included in the property, plant and equipment of the Proforma Group are motor vehicles acquired under hire purchase arrangement with net book value of RM2,079,000.

12. ACCOUNTANTS' REPORT (Cont'd)**5.5 Investment in associated companies**

	Proforma Group 31.1.2003 RM'000
Unquoted shares - cost	16,995
- at valuation	11,800
Unquoted preference shares, at cost	26,508
Share of post acquisition profits	10,420
	<hr/>
	65,723
	=====
Represented by:	
Group's share of net assets other than goodwill	39,345
Group's share of goodwill in an associated company's own consolidated financial statements	1,079
Goodwill on acquisition, less accumulated amortisation of RM1,932,000	25,299
	<hr/>
	65,723
	=====

The Company has pledged 800,000 ordinary shares of RM1 each and 12,000 Redeemable Non-Cumulative Preference Shares of RM1 each in an associated company for banking facilities granted to a subsidiary company of the associated company.

Investment in an associated company was revalued in 1998 by the Directors based on the net present value of future cash flows of the associated company. The valuation was not intended to effect a change in the accounting policy to one of revaluation of unquoted investment.

5.6 Investment in jointly controlled entities

Details of jointly controlled entities are as follows:

	Principal activities	Proportion of ownership interest 31.1.2003
Hydrotek - Salcon Joint Venture	Construction of Min Buri Water distribution pumping station	49%
Salcon - EGI Joint Venture	Johor Bahru Water supply privatisation project - stage 3 works - Contract No. 45	50%
Salcon - SKV Consortium	Supply and installation of trunk mains - Contract No. PIT - 711	60%

In respect of the interest in jointly controlled entities, the Proforma Group uses the equity method to account for its interest.

12. ACCOUNTANTS' REPORT (Cont'd)**5.7 Goodwill**

Proforma Group
31.1.2003
RM'000

Cost

Opening balance	3,913
Acquisition of subsidiary companies	24

Closing balance	3,937
	=====

Accumulated amortisation

Opening balance	235
Amortisation charge for the period	98

Closing balance	333
	=====

Net book value	3,604
	=====

5.8 Trade and other receivables

Proforma Group
31.1.2003
RM'000

Trade receivables	114,605
Less: Allowance for doubtful debts	(3,066)

	111,539
Amount due from contract customers	77,106
Associated company	4,406
Related companies	4,558
Other receivables, deposits and prepayment	6,651

	204,260
	=====

Amount due from contract customers

Aggregate costs incurred to date	373,092
Add: Attributable profit	58,814

	431,906
Less: Progress billings	(357,305)

	74,601
Amount due to contract customers (Note 5.8)	2,505

Amount due from contract customers	77,106
	=====

12. ACCOUNTANTS' REPORT (Cont'd)

Included in trade receivables of the Proforma Group are retention sums amounting to approximately RM8,191,000.

Included in trade receivables of the Proforma Group are amount receivable from related parties amounting to RM178,000.

The amounts due from subsidiary and related companies are unsecured, interest free and have no fixed terms of repayment.

The amount due from an associated company is unsecured, interest free and has no fixed terms of repayment.

5.9 Trade and other payables

	Proforma Group 31.1.2003 RM'000
Trade payables	110,476
Other payables and accruals	12,893
Associated companies - loan	3,380
Related company	720
Amount due to contract customers (Note 5.7)	2,505
	<hr/> 129,974 =====

Included in other payables and accruals of the Proforma Group are advances received from contract customers amounting to RM5,663,000.

The amounts due to subsidiary and related companies are unsecured, interest free and have no fixed terms of repayment.

The amount due to associated companies is unsecured, bears interest at a rate of 5% per annum and has no fixed terms of repayment.

5.10 Borrowings

	Proforma Group 31.1.2003 RM'000
Current	
Bank overdraft - (secured)	61
- (unsecured)	574
Bankers' acceptances (unsecured)	27,725
Revolving credits (unsecured)	35,279
Hire purchase creditors	404
	<hr/> 64,043 =====
Non-current	
Hire purchase creditors	1,109
	=====

12. ACCOUNTANTS' REPORT (Cont'd)***Term and debt repayment schedule***

The bank borrowings bear interest at rates ranging from 3.18% to 8.90% per annum.

The above facilities are guaranteed by KEB.

Certain bank overdraft of the Proforma Group is secured by pledge of fixed deposits.

Hire purchase creditors

Hire purchase creditors are payable as follows:

	31.1.2003		
	Gross RM'000	Interest RM'000	Principal RM'000
Proforma Group			
Less than one year	503	(99)	404
Between one and five years	1,225	(116)	1,109
	1,728	(215)	1,513

5.11 Share Capital

	No. of Salcon Shares	Proforma Group RM'000
Ordinary shares of RM0.50 each		
Authorised	200,000*	100
Issued and fully paid		
Existing issued and paid-up share capital as at 31 January 2003	2	**
Shares to be issued pursuant to the share exchange	833,250	417
Proforma 1	833,252	417
Shares to be issued pursuant to the acquisition of SEB Group of companies	160,396,000	80,198
Proforma 2	161,229,252	80,615
Shares to be issued pursuant to the public issue	29,200,000	14,600
Proforma 3	190,429,252	95,215
Shares to be issued to SHCB's Creditors as part of the debt settlement	833,250	416
Proforma 4	191,262,502	95,631
Shares to be issued pursuant to the exercise of ESOS options	19,126,000	9,563
Proforma 5 – Enlarged and issued paid up capital	210,388,502	105,194

* Authorised capital is subject to increase to accommodate the increase in issued and paid-up capital.

** RM 1

12. ACCOUNTANTS' REPORT (Cont'd)**5.12 Share premium**

	RM'000
Existing	-
Arising from the Share Exchange	-
	-
Arising from the Acquisitions of SEB by Salcon	-
	-
Arising from the Public Issue	20,440
	20,440
Less: Estimated restructuring and listing expenses	(2,500)
	17,940
Arising from the full exercise of ESOS options	13,388
	31,328

5.13 Reserves

The acquisition of SEB and PTIL will result in a reserve on consolidation of RM24,952,000.

The acquisition of SHCB and debt settlement to SHCB's Creditors will give rise to an intangible asset amounting to RM28,833,000. The write-off of the said intangible asset will result in negative reserves.

5.14 Contingent liabilities

	Proforma Group 31.1.2003 RM'000
Guarantees and contingencies relating to borrowings of associated companies (unsecured)	16,720
Bank guarantee given to third parties relating to tender bond, performance bond and advance payment bond	
- secured	1,687
- unsecured	43,957
	62,364
	=====

12. ACCOUNTANTS' REPORT (Cont'd)**5.15 Proforma Net tangible Assets Cover**

Based on the proforma statement of assets and liabilities of the Salcon Group as at 31 January 2003, the net tangible assets cover per ordinary share after restructuring exercise and estimated listing expenses is calculated as follows:-

Proforma net tangible assets as at 31 January 2003 (RM'000)	102,659
	=====
Number of ordinary shares of RM0.50 each in issue ('000)	210,388
	=====
Proforma net tangible assets per ordinary share (RM)	0.49
	=====

5.16 Audited Financial Statements

No audited financial statements of Salcon and its subsidiary companies have been made up in respect of any period subsequent to 31 January 2003.

Yours faithfully

KPMG

Firm Number: AF0758

Chartered Accountants

HEW LEE LAM SANG

Partner

Approval Number: 1862/10/03(J)

13. BY-LAWS**THE BY-LAWS OF THE SCHEME****1. DEFINITIONS**

Except where the context otherwise requires, the following expressions in these By-Laws shall have the following meanings:

"AmMerchant Bank"	:	AmMerchant Bank Berhad (23742-V)
"Board"	:	The Board of Directors of Salcon
"By-Laws"	:	The By-Laws governing the Scheme
"CCM"	:	Companies Commission of Malaysia
"CDS"	:	Central Depository System
"Central Depositories Act"	:	The Malaysian Securities Industry (Central Depositories) Act, 1991
"Deposited Security(ies)"	:	A security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense
"Depositor"	:	A holder of a Securities Account
"Duration of the Scheme"	:	The duration of the Scheme shall be five (5) years from the commencement of the Scheme as defined in Clause 19 hereof unless extended by the Option Committee in accordance with Sub-Clause 19.2 hereof or terminated by the Option Committee in accordance with Clause 20 hereof
"Eligible Employee"	:	An employee (including an Executive Director), of any member of the Salcon Group who meets the criteria of eligibility for participation in the Scheme as set out in Clause 4 hereof
"ESOS"	:	Employees' Share Option Scheme
"Executive Director"	:	A Director on the board of any member of the Salcon Group holding office in an executive capacity and on the payroll of such member and who satisfies the criteria set out in Clause 4 hereof
"Grantee"	:	An Eligible Employee who has accepted an Offer in the manner indicated in Clause 8 hereof
"Salcon" or "Company"	:	Salcon Berhad
"Salcon Group" or "Group"	:	Salcon, Subsidiaries and its future Subsidiaries, collectively
"Salcon Share(s)"	:	Ordinary share(s) of RM0.50 each in the capital of the Company
"KLSE"	:	Kuala Lumpur Stock Exchange

13. BY-LAWS (Cont'd)

"Market Day"	: Any day between Mondays and Fridays, both days inclusive, which is not a market holiday or public holiday
"Maximum Allowable Allotment"	: The maximum number of new Salcon Shares in respect of which Offers may be made to Eligible Employees, as provided in Clause 6 hereof
"MCD"	: Malaysian Central Depository Sdn Bhd
"Offer"	: An offer made in writing by the Option Committee to an Eligible Employee in the manner indicated in Clause 5 hereof
"Offer Date"	: The date on which an Offer is made by the Option Committee to an Eligible Employee to participate in the Scheme
"Option"	: The rights of a Grantee to subscribe for new Salcon Shares pursuant to the contract constituted by acceptance by an Eligible Employee, in the manner as set out in Clause 8 hereof, of an Offer made to such Eligible Employee pursuant to Clause 5 hereof
"Option Committee"	: The committee to be appointed by the Board to implement and administer the Scheme
"Option Period"	: A period commencing from the Offer Date and expiring on a date which the Option Committee may in its discretion decide Provided That no Option Period shall extend beyond the Duration of the Scheme
"Option Price"	: The price per share at which a Grantee shall be entitled to subscribe for new Salcon Shares as set out in Clause 7 hereof
"Record of Depositors"	: A record of Depositors established by the MCD under the Rules of the MCD
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"ROC"	: Registrar of Companies, Malaysia
"SC"	: Securities Commission, Malaysia
"Scheme"	: The Salcon Employees' Share Option Scheme for Eligible Employees to subscribe for new Salcon Shares on the terms as set out herein
"Securities Account"	: An account established by MCD for a Depositor for the recording of Deposited Securities and for dealings in such securities by the Depositor
"Subsidiary"	: A subsidiary company of Salcon as defined in Section 5 of the Companies Act, 1965

In this By-Laws, any words importing a gender includes any gender.

This Scheme will be named the "Salcon Berhad Employees' Share Option Scheme".

13. BY-LAWS (Cont'd)

2. OBJECTIVE OF SCHEME

The objectives of the Scheme are:-

- (a) to provide an opportunity for Eligible Employees to participate as shareholders of the Company;
- (b) to reward and retain Eligible Employees whose services are vital to the continued growth of the Group; and
- (c) to motivate Eligible Employees towards better performance through greater loyalty to the Group.

3. MAXIMUM NUMBER OF SHARES ALLOWABLE UNDER THE SCHEME

- 3.1 The maximum number of new Salcon Shares which may be available under the Scheme shall not exceed in aggregate ten per cent (10%) of the total issued and paid-up share capital of the Company at any point in time of granting of the Options during the existence of the Scheme as referred to in Clause 19 hereof or such additional number that maybe permitted by the SC during the duration of the Scheme.
- 3.2 By-Law 3.1 shall not apply where the total number of new Salcon Shares which may be made available under the Scheme exceeds ten per cent (10%) of the issued and paid-up share capital of the Company during the existence of the Scheme resulting from the cancellation of the Company's own Shares purchased by the Company in accordance with the provisions of Section 67A of Companies Act, 1965. In such event, the provisions of By-Law 14.3 (d) shall be complied with and the Options shall remain valid and exercisable in accordance with the By-Laws of the Scheme.
- 3.3 The Company will during the Option Period keep available sufficient authorised and unissued shares to satisfy all Options, which may be exercised, in whole or in part during the Option Period.

4. ELIGIBILITY

- 4.1 Subject to the discretion of the Option Committee, any employee who is a citizen or resident of Malaysia (including an Executive Director) or a foreigner of a member of the Salcon Group shall be eligible to participate in the Scheme if, as at the Offer Date, the employee:
 - (a) has attained the age of eighteen (18) years;
 - (b) is employed by a member of the Salcon Group (provided the member is not dormant) and has served such member of the Salcon Group for a continuous period of at least one (1) year and whose service of employment has been confirmed in writing. In the case of an Executive Director, he must be involved in the day to day management and is on the payroll of a member of the Salcon Group (provided the member is not dormant); and
 - (c) is not a participant of or has not been offered option(s) under any other employees' share option scheme implemented by any other member of the Salcon Group which is in force for the time being.

In addition, where an employee (including an Executive Director) is serving under a fixed term employment contract, the contract must be for a duration of at least three (3) years and must be confirmed in writing.

13. BY-LAWS (Cont'd)

- 4.2 Each Executive Director can be offered options under more than one Scheme depending on his sitting on the board of directors.

5. OFFER

- 5.1 The Option Committee may at its discretion at any time and from time to time within the Duration of the Scheme as it shall deem fit make an Offer to any Eligible Employee whom the Option Committee may in its discretion select, to subscribe during the Option Period for new Salcon Shares in accordance with the terms of the Scheme.
- 5.2 Nothing herein shall prevent the Option Committee from making more than one Offer to any Eligible Employee provided always that, the total aggregate number of new Salcon Shares to be so allotted to any Eligible Employee shall not be less than one hundred (100) new Salcon Shares and shall always be in multiples of one hundred (100) Salcon Shares. In any case, any eligible Executive Director's maximum entitlement shall be based on one sitting only irrespective of his sittings on more than one board within the Group.
- 5.3 Each Offer shall be made in writing by the Option Committee and shall state the number of new Salcon Shares which the Eligible Employee shall be entitled to subscribe, the price at which the Eligible Employee is entitled to subscribe for each new Salcon Share and the closing date for acceptance of the Offer.
- 5.4 No Option shall be granted to any Executive Director of the Company unless specific grant of Options to that Executive Director shall have previously been approved by the shareholders of the Company in a general meeting.
- 5.5 With the exception to Sub-Clause 10.2, the Offer shall automatically lapse and be null and void in the event of the Eligible Employee ceasing to be employed by the Salcon Group for any reason whatsoever prior to the acceptance of the Offer by the Eligible Employee in the manner set out in Clause 8 hereof.

6. MAXIMUM ALLOWABLE ALLOTMENT AND THE BASIS OF ALLOTMENT

- 6.1 Subject to Sub-Clause 3.1 hereof, the allocation to the eligible Executive Directors and senior management shall not exceed 50% of the new Salcon Shares available under the Scheme provided that the allocation is equitable throughout the various categories of employees. In addition, not more than 10% of the new Salcon Shares available under the Scheme should be allocated to any individual Executive Director or employee who, either singly or collectively, through his associates, holds 20% or more of the issued and paid-up capital of the Company.
- 6.2 Subject to any adjustments which may be made under Clause 14 hereof, the maximum number of new Salcon Shares that may be offered and allotted to an Eligible Employee shall be determined at the discretion of the Option Committee taking into consideration the performance, seniority and years of service of the Eligible Employee and no maximum allowable allotment to each Eligible Employee shall be fixed, subject always to Clause 3 hereof and the provisions of the SC Guidelines on ESOS relating to allocations to directors and employees.

In the circumstances where the maximum allowable allotment as provided in the SC Guidelines on ESOS is amended by the SC from time to time, the Option Committee shall have the discretion to make the necessary adjustments so that the number of new Salcon Shares that may be offered to any one of the Eligible Employees shall be in accordance with the provisions of the SC Guidelines prevailing during the Option Period.

13. BY-LAWS (Cont'd)

7. OPTION PRICE

The Option Price at which a Grantee is entitled to subscribe for each new Salcon Share shall be at a discount of not more than 10% from the five (5) day weighted average market price of Salcon Shares immediately preceding the Offer Date of the Option or at the par value of Salcon Shares, whichever is higher.

8. ACCEPTANCE OF THE OFFER

- 8.1 The Offer to participate in the Scheme shall be valid for acceptance for a period of thirty (30) days from the Offer Date or such longer period as may be determined by the Option Committee on a case to case basis at its discretion. The acceptance of an Offer shall be made by way of a written notice from the Eligible Employee to the Option Committee in the form prescribed by the Option Committee from time to time. In the event that the Eligible Employee fails to accept the Offer within the prescribed period, the Offer shall automatically lapse PROVIDED THAT the Option Committee shall not be precluded from making a new Offer to the Eligible Employee subsequently.
- 8.2 Acceptance of the Offer by an Eligible Employee shall be accompanied by the payment of Ringgit Malaysia One (RM 1.00) as non-refundable consideration for the grant of the Option.
- 8.3 Within fourteen (14) days after the due acceptance of the Offer in accordance with the provisions of Sub-Clauses 8.1 and 8.2 hereof, the Option Committee shall issue to the Grantee a certificate of Option in such form as may be determined by the Option Committee from time to time.
- 8.4 An Option shall be personal to the Grantee and cannot be assigned, transferred or otherwise disposed of in any manner whatsoever except as specified in By-Law 10.6.
- 8.5 The Option may be cancelled at the discretion of the Grantee by notice in writing to the Option Committee.

9. EXERCISE OF OPTIONS

- 9.1 Subject to Sub-Clause 9.2 hereof, an Option may be exercised by the Grantee by notice in writing to the Company in the prescribed during normal business hours on the first Market Day of each week or as may be amended from time to time by the Option Committee during the Option Period in respect of all or any part of the new Salcon Shares comprised in the Option, provided that where an Option is exercised in respect of a part of the new Salcon Shares comprised therein, the number of new Salcon Shares of which such Option may be exercised shall not be less than one hundred (100) and shall be in multiples of one hundred (100).
- 9.2 Subject to Clause 14 hereof, the Option Committee may, at any time and from time to time, before or after an Option is granted, limit the exercise of the Option to a maximum number of new Salcon Shares and/or such percentage of the total new Salcon Shares comprised in the Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the Option Committee in its discretion including amending/varying any terms and conditions imposed earlier.

13. BY-LAWS (Cont'd)

The partial exercise of an Option shall not preclude the Grantee from exercising the Option for the remaining duration of the Option Period in respect of the balance of the new Salcon Shares comprised in the Option.

Any new Salcon Shares comprised in an Option not subscribed for in any year following the date on which the Option was granted, may be subscribed for in any subsequent year until and including the last year of the Option Period.

- 9.3 Every such written notice referred to in Sub-Clause 9.1 hereof must be in the form prescribed by the Option Committee from time to time and accompanied by a remittance (calculated in accordance with the provisions of Clause 7 hereof) for the full amount of the subscription monies for the new Salcon Shares in respect of which notice is given. Within ten (10) Market Days from the receipt by the Company of the aforesaid notice and remittance from the Grantee, the Company shall allot such new Salcon Shares to the Grantee accordingly, subject to and in accordance with the provisions of the Articles of Association of the Company, the Central Depositories Act and the Rules of the MCD.
- 9.4 A Grantee who exercises his Option shall provide the Option Committee with the valid CDS account number, in the notice referred to in Sub-Clause 9.1. The new Salcon Shares to be issued pursuant to the exercise of an Option will be credited into the CDS account of the Grantee or his Authorised Nominee, as the case may be and a notice of allotment stating the number of shares credited into such CDS account will be issued and despatched to the Grantee or the Grantee's Authorised Nominee with a copy to the Grantee, as the case may be, within ten (10) Market Days from the date of receipt by the Company of the written notice of the exercise of the Option together with the requisite remittance. No physical share certificate(s) will be issued.
- 9.5 No Options shall be exercisable after the expiry of the Option Period.
- 9.6 In the event that a Grantee is subject to disciplinary proceedings (whether or not such disciplinary proceedings will give rise to a dismissal or termination of service) the Option Committee may, in its discretion, suspend and/or cancel the right of the Grantee to exercise his Option pending the outcome of such disciplinary proceedings. The Option Committee may impose such terms and conditions as the Option Committee shall deem appropriate having regard to the nature of the charges made or brought against the Grantee and the outcome of such disciplinary proceedings PROVIDED ALWAYS THAT:
 - (a) in the event that such Grantee shall subsequently be found to be not guilty of the charges which gave rise to such disciplinary proceedings, the Option Committee shall reinstate the rights of such Grantee to exercise his Option PROVIDED THAT such reinstatement is within the Duration of the Scheme in accordance with Clause 19 hereof;
 - (b) in the event such Grantee is found guilty resulting in the dismissal or termination of service of such Grantee, the Option shall immediately cease without notice, upon pronouncement of the dismissal or termination of service of such Grantee; and
 - (c) in the event such Grantee is found guilty but not dismissed or termination of service is recommended, the Option Committee shall have the right to determine at its absolute discretion whether or not the Grantee may continue to exercise his Option or any part thereof and if so, to impose such terms and conditions as it deems appropriate, on such exercise.

13. BY-LAWS (Cont'd)

- 9.7 Notwithstanding the provisions of Sub-Clause 9.3, the Board, the Option Committee, the Company and/or any officer of the Company shall not under any circumstances be held liable to any person for any cost, loss, expense, damages or liabilities, gains or profits foregone whatsoever or howsoever arising in any event relating to the delay on the part of the Company in procuring the KLSE to list the Shares subscribed for by a Grantee or for any delays in crediting the Shares into the Grantee CDS account or any other matter or dealing which is outside the control of the Company.
- 9.8 Subject to the discretion of the Option Committee, failure by the Grantee to comply with the procedure for an exercise of an Option as stipulated in Sub-Clauses 9.1 to 9.5 herein will invalidate the purported exercise of such Option by an Eligible Employee.
- 9.9 Every Option shall be subject to the condition that no new Salcon Shares shall be issued to a Grantee pursuant to the exercise of an Option if such issue would be contrary to any law, enactment, rules and/or regulations of any legislative or non-legislative body which may be in force during the Option Period or such period as may be extended.
- 9.10 The Company will undertake to keep available sufficient unissued Salcon Shares to satisfy all outstanding Options.

10. TERMINATION OF THE OPTION

- 10.1 All remaining unexercised Options shall forthwith lapse and/or be deemed to be cancelled and cease to be exercisable in relation to any new Salcon Shares in respect of which such Options have not been exercised upon the occurrence of one or more of the following events:-
- (a) the Grantee ceasing to be in employment with a member of the Salcon Group; or
 - (b) in the event of the liquidation of Salcon; or
 - (c) in the event of bankruptcy of the Grantee.
- 10.2 Where the Grantee ceases his employment or appointment with the Group by reason of:-
- (i) retirement on attaining the retirement age under the Salcon Group's retirement policy;
 - (ii) retirement before attaining the normal retirement age but with the consent of the Board;
 - (iii) redundancy or any voluntary separation scheme;
 - (iv) ill-health, injury, physical or mental disability; or
 - (v) any other circumstances as may be determined by the Option Committee from time to time.

he may exercise his unexercised Option or Options within the relevant Option Period or Periods.

- 10.3 Applications under By-Law 10.2 shall be made:-
- (a) in a case where paragraph 10.2(i) or (ii) is applicable, before the Grantee's last day of employment. The Grantee may exercise Options at any time before his last day of employment subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee before the Grantee's last day of employment, any

13. BY-LAWS (Cont'd)

Options held by the Grantee on his last day of employment shall be automatically terminated;

- (b) in a case where paragraph 10.2(iv) is applicable, within one(1) month after the Grantee notifies his employer of his resignation due to ill health, injury or disability. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated;
 - (c) in a case where paragraph 10.2(iii) is applicable, within one(1) month after the Grantee is notified that he will be retrenched or, where he is given an offer by his employer as to whether he wishes to accept retrenchment upon certain terms, within one(1) month after he accepts such offer. The Grantee may exercise Options within the said period of one(1) month subject to the provisions of By-Law 9. In the event that no application is received by the Option Committee within the said period, any Options held by the Grantee at the expiry of the said period shall be automatically terminated;
- 10.4 The Option Committee shall consider applications under By-Law 10.2 on a case-by-case basis and may in its discretion approve or reject any application in whole or in part without giving any reasons therefore and may impose any terms and conditions in granting an approval. The decision of the Option Committee shall be final and binding. In the event that the Option Committee approves an application in whole or in part, the Grantee may exercise the Options which are the subject of the approval within the relevant Option Period and subject to the provisions of By-Law 9. Any Options in respect of which an application is rejected shall be automatically terminated on the date of termination stipulated in the relevant paragraph of By-Law 10.3 or on the date of the Option Committee's decision, whichever is the later.
- 10.5 In the event that the Option Committee receives an application under By-Law 10.2 after the expiry of the relevant period under By-Law 10.3, the Option Committee shall take into account the reasons given by the Grantee for the delay in making the application, in exercising the Option Committee's discretion and powers under By-Law 10.4. In the event that the Option Committee approves the application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Grantee and such Options shall be exercisable:-
- (a) only within the Option Period of those Options which were terminated due to the Grantee's delay in making the application;
 - (b) in accordance with the provisions of By-Law 9 as applicable in respect of such terminated Options; and
 - (c) at the Option Price applicable in respect of such terminated Options.
- 10.6 In the event that a Grantee dies before the expiration of the Option Period and at the date of his death held any Options, the following provisions shall apply:-
- (a) such Options may be exercised by the legal or personal representative of the Grantee ("Representative"):-
 - (i) within eighteen(18) months after the Grantee's death ("Permitted Period"); or
 - (ii) within the Option Period

whichever expires first. For the avoidance of doubt, it is hereby stated that By-Law 9.1 shall be applicable in this event;

13. BY-LAWS (Cont'd)

- (b) In the event that the Option Period expires before the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Option Period shall be automatically terminated and the Representative shall not be entitled to apply for any extension of time for exercising such unexercised Options;
- (c) In the event that the Permitted Period expires before the Option Period, the following provisions shall apply:-
 - (i) the Representative may, at any time before the expiry of the Permitted Period, apply in writing to the Option Committee for an extension of the Permitted Period, stating the reasons as to why the extension is required. In the event that no application is received by the Option Committee before the expiry of the Permitted Period, any Options which have not been exercised by the Representative at the expiry of the Permitted Period shall be automatically terminated;
 - (ii) the Option Committee shall consider such applications on a case-by-case basis and may in its discretion approve or reject an application in whole or in part without giving any reasons therefor and may impose any terms and conditions in granting an approval. The decision of the Option Committee shall be final and binding. In the event that the Option Committee approves an application in whole or in part, the Representative may exercise the Options which are the subject of the approval within such extension of the Permitted Period as is approved (which shall not exceed the Option Period) and in accordance with the provisions of By-Law 9.1. Any Options in respect of which an application is rejected shall be automatically terminated at the expiry of the Permitted Period or on the date of the Option Committee's decision, whichever is the later;
 - (iii) in the event that the Option Committee receives an application after the expiry of the Permitted Period, the Option Committee shall take into account the reasons given by the Representative for the delay in making the application, in exercising the Option Committee's discretion and powers under sub-paragraph (ii) above. In the event that the Option Committee approves an application in whole or in part, the Company shall make an Offer in respect of the Options which are the subject of the approval to the Representative and such Options shall be exercisable:-
 - (A) within such period as may be stipulated in the Offer which shall not exceed the Option Period of those Options which were terminated pursuant to sub-paragraph (i) above;
 - (B) in accordance with the provisions of By-Law 9.1; and
 - (C) at the Option Price applicable in respect of the Options which were terminated pursuant to sub-paragraph (i) above.

10.7 The provisions of By-Law 10.5 and By-Law 10.6(c)(iii) constitute exceptions to the provisions of By-Law 4.1 and By-Law 7.

13. BY-LAWS (Cont'd)

11. TAKEOVER

Notwithstanding Clause 9 hereof and subject to the provisions of any applicable statutes, rules, regulations and/or conditions issued by the relevant authorities, in the event of:

- (i) a takeover offer being made for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer ("Offeror") or any persons acting in concert with the Offeror) a Grantee will be entitled, within three (3) months of such a general offer being made, to exercise all or any part of his Options and the Directors shall use their best endeavours to procure that such a general offer be extended to any new Salcon Shares that may be issued pursuant to the exercise of Options under this Clause; and
- (ii) the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of Salcon Shares under the provisions of any applicable statutes, rules and/or regulations and gives notice to the Company that it intends to exercise such right on a specific date, a Grantee will be entitled to exercise all or any part of his Option from the date of service of the said notice to the Company until and inclusive of the date on which the right of compulsory acquisition is exercised;

PROVIDED ALWAYS THAT any Option to the extent unexercised after the expiry of the periods stipulated in the aforesaid circumstances shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

12. SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC.

Notwithstanding Clause 9 hereof and subject to the discretion of the Option Committee, in the event of the court sanctioning a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme of arrangement and reconstruction of the Company under Section 178 of the Companies Act, 1965 or its amalgamation with any other company or companies under Section 178 of the Companies Act, 1965 a Grantee may be entitled to exercise all or any part of his Option or Options at any time commencing from the date upon which the compromise or arrangement is sanctioned by the court and ending with the date upon which it becomes effective PROVIDED ALWAYS THAT any part of an Option which remains unexercised after the expiry of the period stipulated above shall remain in force and continue to be exercisable until the expiry of the Option Period applicable thereto.

13. RETENTION PERIOD

The new Salcon Shares to be issued and allotted to a Grantee pursuant to the exercise of any Option or Options will not be subject to any retention period.

14. ALTERATION OF SHARE CAPITAL DURING THE OPTION PERIOD

14.1 In the event of any alteration in the capital structure of the Company during the Option Period, whether by way of a rights issue, bonus issue or other capitalisation issue, consolidation or subdivision of Shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:-

- (a) the number of Shares which a Grantee shall be entitled to subscribe for upon the exercise of each Option; and/or

13. BY-LAWS (Cont'd)

(b) the Option Price

as shall be necessary to give a Grantee the same proportion of the issued capital of the Company as that to which he was entitled prior to the event giving rise to such adjustment.

14.2 The following provisions shall apply in relation to an adjustment which is made pursuant to By-Law 14.1:-

(a) any adjustment to the Option Price shall be rounded up to the nearest one(1) sen and in no event shall the Option Price be reduced to an amount which is below the par value of the Shares; and

(b) in determining a Grantee's entitlement to subscribe for Shares, any fractional entitlements will be disregarded.

14.3 By-Law 14.1 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:-

(a) an issue of securities as consideration for an acquisition; or

(b) an issue of securities as a private placement; or

(c) an issue of securities as a special issue approved by the relevant governmental authorities; or

(d) a purchase by the Company of its own Shares pursuant to Section 67A of the Companies Act, 1965. In this event, the following provisions shall apply:-

(i) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is greater than 10% of the issued and paid-up capital of the Company after such cancellation, the Option Committee shall not make any further Offers; and

(ii) if the number of Options granted by the Company as at the date of cancellation of Shares so purchased is less than 10% of the issued and paid-up capital of the Company after such cancellation, the Option Committee may make further Offers only until the total number of Options granted by the Company is equivalent to 10% of the issued and paid-up capital of the Company after such cancellation.

14.4 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Companies Act, 1965, By-Law 14.1 shall be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.1 is applicable, but By-Law 14.1 shall not be applicable in respect of such part(s) of the scheme which involve(s) any alteration(s) in the capital structure of the Company to which By-Law 14.1 is not applicable as described in By-Law 14.3.

14.5 An adjustment pursuant to By-Law 14.1 shall be made at the following times:-

(a) in the case of a rights issue, bonus issue or other capitalisation issues, on the Market Day immediately following the date of entitlement in respect of such issue; or

(b) in the case of a consolidation or subdivision of Shares or reduction of capital, on the Market Day immediately following the date of allotment of new shares of the Company in respect of such consolidation, subdivision or reduction.

13. BY-LAWS (Cont'd)

Upon any adjustment being made, the Option Committee shall give notice in writing to the Grantee, or his legal or personal representative where the Grantee is deceased, to inform him of the adjustment and the event giving rise thereto.

- 14.6 All adjustments must be confirmed in writing by an approved company auditor, acting as an expert and not as an arbitrator, to be in his opinion fair and reasonable. In addition, the Company shall, at the request of any Grantee, furnish such Grantee with a certificate from an approved company auditor to the effect that in the opinion of such auditor, acting as an expert and not as an arbitrator, an adjustment is fair and reasonable either generally or as regards such Grantee, and such certification shall be final and binding on all parties. For the purposes of this By-Law, an approved company auditor shall have the meaning given in Section 8 of the Companies Act, 1965.

15. QUOTATION OF SHARES

The new Salcon Shares referred to in Clause 3 above and the new Salcon Shares (if any) to be allotted and issued to the Grantee will not be listed or quoted on the KLSE until the Option is exercised in accordance with Clause 9 above whereupon the Company shall, make the necessary application to the KLSE for the listing of and quotation for such new Salcon Shares and use its best endeavours to obtain permission for the dealing therein.

16. RANKING OF NEW SALCON SHARES

The new Salcon Shares to be allotted upon any exercise of any Options granted shall upon allotment and issue, rank *pari passu* in all respects with the existing Salcon Shares PROVIDED ALWAYS that the new Salcon Shares so allotted will not be entitled to any dividends, rights, allotments and/ or other distributions unless such new Salcon Shares are specified as being credited to the Securities Account of the Grantee in the Record of Depositors maintained by the Company with the MCD and requested by the Company from the MCD for the purpose of determining persons entitled to such dividends, rights, allotments, and/ or distributions in accordance with the Company's Articles of Association.

17. ADMINISTRATION

The Scheme shall be administered by the Option Committee consisting of such persons appointed by the Board. The Option Committee shall administer the Scheme in such manner as it shall in its discretion deem fit. For the purpose of administering the Scheme, the Option Committee may do all such acts and things and enter into any transactions, agreements, deeds, documents or arrangements, and make rules, regulations or impose terms and conditions or delegate part of its power relating to the administration of the Scheme, as the Option Committee may in its discretion deem fit necessary and/or expedient for the implementation of the Scheme. The Board shall have power from time to time to rescind the appointment of any person to the Option Committee as it deems fit.

The Board shall have power at any time and from time to time to assume and/or exercise or execute any of the powers and authorities conferred upon the Option Committee pursuant to this By-Laws.

13. BY-LAWS (Cont'd)**18. AMENDMENT AND/OR MODIFICATION TO THE SCHEME**

Subject to the approvals of the SC and any other relevant authorities, the Board shall have the power at any time and from time to time by resolution to amend and/or modify all or any of the provisions of the Scheme PROVIDED THAT no such amendment and/or modification shall be made which would either materially prejudice the rights then accrued to any Grantee without the Grantee's prior consent or alter to the advantage of any Grantee in respect of any provisions of the Scheme without the prior approval of the Company's shareholders in a general meeting.

19. DURATION OF THE SCHEME

19.1 The Scheme shall come into force upon obtaining the following approvals:-

- (a) the SC;
- (b) the KLSE for the listing of and quotation for the new ordinary shares to be issued pursuant to the exercise of Options;
- (c) the shareholders of the Company in general meeting;
- (d) the fulfilment of any conditions attached thereto and upon the adviser submitting to the SC the following additional requirements:-
 - i. Final copy of the By-Laws of the Scheme; and
 - ii. Confirmation letter from the adviser confirming that the Company:
 - (A) has fulfilled the SC's conditions of approval for the Scheme and that the By-Laws do not contravene the Guidelines on Employee Share Option Schemes as stipulated under the "Policies and Guidelines on Issue/Offer of Securities ("Issues Guidelines"); and
 - (B) has obtained other relevant approvals for the Scheme and has fulfilled all conditions imposed therein.

The date of the confirmation letter submitted by the adviser would signify the effective date for the launch/implementation of the Scheme ("Effective Date"). The scheme shall be in force for a duration of five(5) years from the Effective Date. The Company may, if the Board and the Option Committee deem fit, extend the Scheme for another five(5) years. Such extended Scheme shall be implemented in accordance with the terms of the By-Laws set out herein, save for any amendments and/or changes to the relevant statutes and/or regulations currently in force and shall be valid and binding without further obtaining the approvals of the abovementioned parties PROVIDED THAT the Company shall serve appropriate notices on each Grantee and/or make necessary announcements to any and/or all of the abovementioned parties within thirty(30) days prior to the expiry of the Scheme.

19.2 Offers can only be made during and not after the duration of the Scheme.

13. BY-LAWS (Cont'd)

20. TERMINATION OF THE SCHEME

20.1 The Company can terminate the Scheme in mid-stream only if all of the following conditions are satisfied:-

- (a) the prior approval of the SC has been obtained for the termination of the Scheme;
- (b) the prior consent of the shareholders of the Company at general meeting, wherein at least a majority of the shareholders present voted in favour of the termination, has been obtained; and
- (c) the prior written consent of all Grantees who have yet to exercise their Options, either in part or in whole, has been obtained in respect of such termination.

20.2 In seeking to obtain the approval of the SC and the consent of the shareholders and Grantees for the termination of the Scheme referred to in By-Law 20.1, the Company must provide sufficient information on the following matters:-

- (a) Reasons for the termination;
- (b) Whether or not the termination of the Scheme would be in the best interest of the Company; and
- (c) Any other information that would justify termination of the Scheme.

20.3 In the event of termination of the Scheme, the following provisions shall apply:-

- (a) no further Offers shall be made by the Option Committee from the date the last of the approvals specified in By-Law 20.1 shall have been obtained;
- (b) all Offers which have yet to be accepted shall automatically lapse from the date the last of the approvals specified in By-Law 20.1 shall have been obtained; and
- (c) all outstanding Options shall be automatically terminated from the date the last of the approvals specified in By-Law 20.1 shall have been obtained.

21. SUBSEQUENT EMPLOYEES' SHARE OPTION SCHEME

The Company may establish a new employees' share option scheme after the expiry of the Scheme or upon termination of the Scheme subject to the approval of the SC.

22. DISPUTES

In the event of any dispute between the Option Committee and an Eligible Employee or Grantee, as to any matter or thing of any nature arising hereunder, the Option Committee shall determine such dispute or difference by a written decision given to the Eligible Employee or Grantee, as the case may be. The said decision shall be final and binding on the parties unless the Eligible Employee or Grantee, as the case may be, shall dispute the same by written notice to the Option Committee within fourteen (14) days of the receipt of the written decision, in which case such dispute shall be referred to the decision of the external auditors of the Company for the time being, acting as experts and not as arbitrators, whose decision shall be final and binding in all respects. In the event that the external auditors are unable to reach a decision in respect of the dispute, such dispute shall be referred to a court of law of competent jurisdiction in Malaysia, whose decision shall be final and binding in all respects.

13. BY-LAWS (Cont'd)

23. COMPENSATION

- 23.1 An Eligible Employee or Grantee who ceases to hold office or employment shall not be entitled to any compensation for the loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed whether such compensation is claimed by way of damages for wrongful dismissal or other breach of contract or by way of compensation for loss of office.
- 23.2 No Eligible Employee or Grantee or legal or personal representatives shall bring any claim, action or proceeding against the Company or the Option Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension of his rights to exercise his Option or his Option ceasing to be valid pursuant to the provisions of these By-Laws, or as the same may be amended from time to time in accordance with Clause 18 hereof.

24. SUBSIDIARIES OF SALCON

In the event of any acquisition or incorporation of any Subsidiary during the tenure of this Scheme, the Scheme shall apply to such eligible employees of the Subsidiaries falling within the expression of "Eligible Employee" under Clause 1 hereof and the provisions of these By-Laws shall apply.

25. TRANSFERS FROM/ TO OTHER COMPANIES RELATED TO THE GROUP

- 25.1 In the case of :-

- (i) an employee who is employed in, or an executive director of, a company related to Salcon in the manner set forth in Sub-Clause 25.2 below (hereinafter referred to as "Previous Company") and is subsequently transferred from a Previous Company to any company within the Group; or
- (ii) an employee who is in the employment of a Previous Company or an executive director of a Previous Company which subsequently becomes a member of the Group as a result of a restructuring or other exercise involving the Group and/or any company within the Group,

such an employee of the Previous Company or an executive director of a Previous Company (hereinafter referred to as "Affected Employee") may, if the Affected Employee satisfies all the conditions in the By-Laws herein and subject to the discretion of the Option Committee, be eligible to participate in the Scheme provided that the Affected Employee:-

- (a) may be entitled to exercise all such unexercised option(s) which were granted to him under the employees' share option scheme (if any) which he was participating (hereinafter referred to as "Previous Company ESOS") whilst the Affected Employee was in the employment of the Previous Company, if the same is provided for under the By-Laws of such Previous Company ESOS but he shall not, upon such transfer or restructuring or other exercise as the case may be, be eligible to participate for further options of such Previous Company ESOS; and
- (b) will only be eligible to participate in the Scheme for its remaining duration.

13. BY-LAWS (Cont'd)

25.2 For the purpose of paragraph (i), Previous Company means a company which is:-

- (a) a holding company of Salcon; or
- (b) a subsidiary of the holding company of Salcon.

25.3 The use of the terms "holding company" and "subsidiary" in paragraphs Clause 25.2 (a) and (b) above shall be as defined in Section 5 of the Companies Act, 1965.

26. DIVESTMENT FROM THE GROUP

If a Grantee who was in the employment with a member of the Group which has ceased to be a Subsidiary as a result of a restructuring or divestment exercise or otherwise (other than a takeover under Clause 11 hereof) then such Grantee:-

- (a) may be entitled to continue to exercise all such unexercised Options which were granted to him under the Scheme within a period of three (3) months from the date the company ceases to be a Subsidiary or the expiry of the last day of the Option Period whichever is earlier, failing which the right granted to such Grantee to subscribe for that number of new Salcon Shares or any part thereof granted under such unexercised Options shall automatically lapse; and
- (b) shall not be eligible to participate for further Options under the Scheme.

27. COSTS AND EXPENSES

All costs and expenses incurred in relation to the Scheme including but not limited to the costs and expenses relating to the issue and allotment of the new Salcon Shares upon the exercise of any Option shall be borne by the Company.

28. NOT A TERM OF EMPLOYMENT

This Scheme does not form part nor shall it in any way be construed as part of the terms and conditions of employment of any employee.

29. ARTICLES OF ASSOCIATION

Notwithstanding the terms and conditions contained in this Scheme, if a situation of conflict should arise between this Scheme and the Articles of Association of the Company, the provisions of the Articles of Association of the Company shall at all times prevail.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION

14.1 Share Capital

- (a) No shares will be allocated or sold on the basis of this Prospectus later than twelve(12) months after the date of issue of this Prospectus.
- (b) There are no founder, management or deferred shares in the Company. There is only one class of shares in the Company, namely Shares, all of which rank pari passu with one another.
- (c) Save for the Shares reserved for directors, eligible employees of and business associates the Group as well as the eligible directors and employees of KEB as disclosed in Sections 2.3, 2.4 and 5.3 of this Prospectus, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company and its subsidiaries.
- (d) Save as disclosed in paragraph (c) above, as at the date of this Prospectus, none of the share capital of the Company or any of its subsidiary has been put under option or agreed conditionally or unconditionally to be put under option.
- (e) Save as disclosed in Sections 2.1 and 2.2 of this Prospectus, no ordinary shares or debentures of the Company or its subsidiaries have been issued or is proposed to be fully or partly paid-up for cash or otherwise than for cash within the two(2) years immediately preceding the date of this Prospectus.

14.2 Articles of Association

The following provisions are reproduced from the Company's Articles of Association:

(i) Transfer of Securities

The provisions in the Company's Articles of Association in respect of the arrangements for transfer of the securities and restrictions on their free flexibility are as follows:

Article 41

Subject to the provisions of these Articles, the Central Depositories Act and the Rules, the transfer of any security or class of securities of the Company shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to sub-section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of securities.

Article 42

Subject to the Rules, no share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind, partnership or a person who is not a beneficial owner or not an authorised nominee of the Deposited Securities.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 43

- (a) The Central Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Rules.
- (b) Subject to the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid shares except where required by law.
- (c) Subject to the applicable laws and regulations, an instrument of transfer must be in respect of only one class of shares.

Article 41

- (a) The Company may require the Central Depository to suspend the registration of transfers at such times and for such period as the Directors may from time to time determine provided always that such registration shall not be suspended for more than thirty (30) days or such other period as may be required by the Exchange in any year. At least three (3) Market days' prior notice or such other period as may be required by the Exchange, (or, subject to any written laws to the contrary, such other period provided for under the Rules) of any such suspension shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors provided that where the Record of Depositors is required in respect of corporate action, at least seven (7) Market days prior notice shall be given to the Central Depository.
- (b) The transfer books and Register may on due notice being given as required by the Act and the Exchange be closed during such times as the Directors think fit, not exceeding in the whole thirty (30) days in each year.

Article 45

Subject to the provisions of the Act, the Central Depositories Act and the Rules, nothing in these Articles shall preclude the directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Transmission of Securities

Article 46

Neither the Company nor the directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties or registered by the Central Depository, although the same may, by reason of any fraud or other cause not known to the Company or the directors or other officers be legally in-operative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have noticed that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**Article 47**

In the case of death of a member, the legal personal representatives of the deceased shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of such deceased member from any liability in respect of any share which has been held by him. A transmission or transfer of any share which is a Deposited Security by any person becoming entitled to the share in consequence of the death or bankruptcy of a member may be carried out by the person becoming so entitled by execution of the prescribed transfer from and lodgement of all documents required in accordance with the Rules and other applicable laws.

(ii) Remuneration of Directors

The provisions in the Company's Articles of Association in respect of remuneration of the Directors are as follows:

Article 104

The fees of the directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provided) be divisible among the directors in such proportions as they may agree, or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office. Provided Always that:

- (a) fees payable to non-executive directors shall be by a fixed sum, and not by a commission on or a percentage of profits or turnover;*
- (b) salaries payable to executive directors may not include a commission on or a percentage of turnover;*
- (c) fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;*
- (d) any fee paid to an alternate director shall be agreed upon between himself and the director nominating him and shall be paid out of the remuneration of the latter.*

Article 105

- (1) The directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the directors or of any committee of the directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as directors.*

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (2) *In these Articles, if not inconsistent with the subject or context, render any special duties or services outside his ordinary duties as a director in particular without limiting to the generality of the foregoing if any director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, the directors may pay him special remuneration, in addition to his director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject always to Article 104.*

(iii) Voting and Borrowing Powers of Directors

The provisions in the Company's Articles of Association dealing with voting and borrowing powers of the Directors in proposals, arrangements or contracts in which they are interested in borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

Articles 107

The business of the Company shall be managed by the directors who may exercise all such powers of the Company, and do on behalf of the Company all such acts as are within the scope of the Memorandum and Articles of Association of the Company and as are not by the Act or by these Articles required to be exercised or done by the Company in general meeting, subject nevertheless to these Articles, to the provisions of the Act, and to such regulations, being not inconsistent with these Articles, as may be prescribed by the Company in general meeting, but no regulation made by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if such regulation had not been made.

Article 108

The directors shall not without the prior approval of the Company in general meeting:

- (a) *carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of the main undertaking or property of the Company which would materially and adversely affect the performance or financial position of the Company;*
- (b) *exercise any power of the Company to issue shares unless otherwise permitted under the Act;*
- (c) *enter into any arrangement or transaction with a director of the Company or its holding company or with a person connected with such a director to acquire from or dispose to such a director or person any non-cash assets of the requisite value.*

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 109

- (1) *The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party PROVIDED ALWAYS that nothing contained in these Articles shall authorise the directors to borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*
- (2) *The directors shall cause a proper register to be kept in accordance with Section 115 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 108 of the Act in regard to the registration of mortgages and charges therein specified and otherwise.*
- (3) *If the directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or persons so becoming liable as aforesaid from any loss in respect of such liability.*

Article 110

The directors may from time to time, and at any time, by power of attorney appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (including power to sub-delegate but not exceeding those vested in or exercisable by the directors under these Articles) and for such period and subject to such conditions as the directors may from time to time think fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the directors think fit.

Article 111

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipt for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the directors may from time to time determine.

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**Article 112**

A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine. No director or intending director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established provided always that Sections 131 and 132E and all other relevant provisions of the Act and these Articles are complied with.

Article 113

Any director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director, provided that nothing herein contained shall authorise a director or his firm to act as auditor of the Company and the appointment is on normal commercial terms.

(iv) Changes in Capital or Variation of Class Rights

The provisions in the Company's Articles of Association as to the changes in capital or variation of class rights which are as stringent as those provided in the Companies Act, 1965 are as follows:

Article 5

Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by special resolution determine provided that:

- (a) the total nominal value of preference shares issued shall not exceed the total nominal value of the issued ordinary shares at any time;*
- (b) the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and accounts and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on such shares is in arrears for more than six (6) months; and*
- (c) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 13 hereof issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith.*

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.

Article 6

The Company may, subject to, and in accordance with the Act, the rules, regulations and orders made pursuant to the Act, the conditions, restrictions and limitations expressed in these Articles and the requirements of the Exchange and any other relevant authority purchase its own shares.

Article 7

The powers of the Company, pursuant to the provision of Article 6 above, shall be exercised by the Directors in their absolute discretion to utilise the funds of the Company to buy the shares in the Company on such terms and conditions as the Directors shall decide. Any shares of the Company so purchased by the Company shall be dealt with as provided in the Act and the requirements of the Exchange and/or relevant authority.

Article 8

In addition to all other powers of paying commissions, the Company (or the Board on behalf of the Company) may exercise the powers conferred by Section 58 of the Act of applying its shares or capital moneys in paying commissions to persons subscribing or procuring subscriptions for shares of the Company, or agreeing so to do whether absolutely or conditionally, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and shall not exceed ten per centum (10%) of the price at which the shares in respect whereof the commission is paid are issued or an amount equivalent thereto. The Company (or the Board on behalf of the Company) may also on any issue of the shares pay such brokerage as may be lawful.

Article 9

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the condition and restrictions mentioned in Section 69 of the Act, and may charge the same to capital as part of the cost of construction of the works, buildings or plant.

Article 10

The Company shall duly observe and comply with the provisions of the Act, the Central Depositories Act, the Rules and the Listing Requirements from time to time prescribed by the Exchange applicable to any allotment of its shares. Subject to the provisions as aforesaid, the Company must allot shares and despatch notices of allotment to all allottees subject to the respective new issue of securities of the final applications closing date for an issue of shares or such other period as may be prescribed by the Exchange.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Article 11

Except as required by law and as provided under the Rules no person shall be recognised by the Company as holding any share upon any trust and the Company shall not even when having notice thereof be bound or compelled to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles otherwise expressly provided) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

Article 12

Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this Article.

Article 13

Notwithstanding the preceding Article the Company may apply to the Exchange for waiver of the convening of an extraordinary general meeting to obtain shareholders' approval for further issues of shares (other than bonus or rights issue) where the aggregate issue of which in any one financial year do not exceed ten per centum (10%) of the issued capital.

Article 14

No person shall exercise any rights of a member until his name shall have been entered in the Register or the Record of Depositors and he shall have paid all calls and other moneys for the time being due and payable on any share held by him.

Article 15

If, by the condition of allotment of any share, the whole or part of the amount or issue price thereof shall be payable on fixed dates every such amount shall, when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share, or his legal personal representatives.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

14.3 Directors and Substantial Shareholders

- (i) The names, addresses and occupations of the Directors of Salcon are set out in the Corporate Directory Section of this Prospectus.
- (ii) A Director is not required to hold any qualification share in the Company unless otherwise so fixed by the Company in general meeting.
- (iii) There are no existing or proposed service contracts between the Directors and the Company or its subsidiary companies which is not terminable by notice without payments or compensation other than statutory compensation within one(1) year preceding the date of this Prospectus save for the following:
 - (a) Mr Jaggit Singh a/l Tara Singh

Mr. Jaggit was appointed on 1 January 2003 as director of SEB for a tenure of five(5) years from 1 January 2003 to 31 December 2007. The appointment may be terminated by giving two(2) months written notice or two(2) months salary in lieu of notice.
 - (b) Ir. Cheek Yeow Kwang

Ir. Cheek was appointed on 1 April 2000 as the Special Advisor to SEB and its subsidiaries for a tenure of three(3) years from 1 April 2003 to 31 March 2006. The appointment may be terminated by giving two(2) months written notice or two(2) months salary in lieu of notice.
- (iv) No Director, senior executive officer or person nominated to become a Director or senior executive officer is or was involved in the following events:
 - (a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel; or
 - (b) Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding; or
 - (c) Such person was the subject of any order, judgement or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
- (v) The remuneration paid to the directors of SEB and its subsidiary companies for services rendered to SEB and its subsidiary companies for the financial year ended 31 July 2002 amounted to RM1.36 million. For the financial year ending 31 July 2003, the amount payable to the Directors of Salcon and its subsidiary companies for services rendered in all capacities to Salcon and its subsidiary companies is estimated to be about RM1.56 million.

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (vi) The substantial shareholders of Salcon and their respective direct interests based on the Register of Substantial Shareholders of Salcon as at 15 July 2003 (being the latest practicable date prior to the printing of this Prospectus) before and after the Public Issue and Offer for Sale are as follows:

Substantial shareholders	Before the Public Issue and Offer for Sale*				After the Public Issue and Offer for Sale*			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
KEB	81,801,960	50.48	-	-	70,551,960	36.89	-	-
MASB	48,118,800	29.69	-	-	44,368,800	23.20	-	-
ETSB	30,475,240	18.80	-	-	27,555,240	14.41	-	-
Tan Sri Razali Ismail	-	-	48,118,800 ⁽¹⁾	29.69	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Abdul Nasir Bin Adnan	-	-	48,118,800 ⁽¹⁾	29.69	40,000	0.02	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	-	-	81,801,960 ⁽²⁾	50.48	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	-	-	30,475,240 ⁽³⁾	18.80	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr. Jagjit Singh a/l Tara Singh	-	-	30,475,240 ⁽³⁾	18.80	45,000	0.02	27,555,240 ⁽³⁾	14.41

Notes:

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

(1) Deemed interested by virtue of their substantial shareholdings in MASB.

(2) Deemed interested by virtue of his substantial shareholdings in KEB.

(3) Deemed interested by virtue of their substantial shareholdings in ETSB.

- (vii) The Directors of Salcon and their respective direct and indirect interests based on the Register of Directors' Shareholdings as at 15 July 2003 (being the latest practicable date prior to the printing of this Prospectus) before and after the Public Issue and Offer for Sale are as follows:

Directors	Before the Public Issue and Offer for Sale*				After the Public Issue and Offer for Sale*			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Tan Sri Razali Ismail	-	-	-	-	45,000	0.02	44,368,800 ⁽¹⁾	23.20
Dato' (Dr) Teoh Seng Foo	-	-	-	-	45,000	0.02	70,551,960 ⁽²⁾	36.89
Dato' Lim See Teok	-	-	-	-	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr Jagjit Singh a/l Tara Singh	-	-	-	-	45,000	0.02	27,555,240 ⁽³⁾	14.41
Mr Foo San Kan	-	-	-	-	45,000	0.02	-	-
Dato' Dr Freezailah Bin Che Yeom	-	-	-	-	45,000	0.02	-	-
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	-	-	-	-	45,000	0.02	-	-

* Includes the allocation of shares issued pursuant to the pink form allocation scheme

Notes:

(1) Deemed interested by virtue of his substantial shareholdings in MASB.

(2) Deemed interested by virtue of his substantial shareholdings in KEB.

(3) Deemed interested by virtue of their substantial shareholdings in ETSB.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (viii) None of the Directors or substantial shareholders of the Company has any interest, direct or indirect in any business carrying on a similar trade as the Company and its subsidiaries.
- (ix) Save as disclosed in Section 8.1 of this Prospectus, none of the Directors and/or substantial shareholders of Salcon has interest in any subsisting contract or arrangement, which is significant to the business of the Salcon Group, as at the date of this Prospectus.
- (x) Save as disclosed in Sections 3(viii), 14.3(vi) and 14.3(vii) of this Prospectus, the Directors and substantial shareholders are not aware of any persons who are able, directly or indirectly, jointly or severally, to exercise control over the Company and its subsidiaries.
- (xi) Save as disclosed below, none of the Directors and substantial shareholders has any interest, direct or indirect, in the promotion of or in any material assets acquired or proposed to be acquired or disposed or proposed to be disposed of or leased or proposed to be leased to the Company or any of its subsidiaries within the two(2) years preceding the date of this Prospectus.

Acquisition of SEB

Acquisition by Salcon of the entire issued and paid-up share capital of SEB from KEB, MASB and ETSB for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 new Salcon Shares at an issue price of RM0.50 per Salcon Share. The completion date of the Acquisition was 18 July 2003.

The interest of the Directors and substantial shareholders of the Company in the aforesaid transactions are as follows:

Directors/substantial shareholders	Nature of interest
KEB	Substantial shareholder of SEB
MASB	Substantial shareholder of SEB
ETSB	Substantial shareholder of SEB
Tan Sri Razali Ismail	Director and deemed substantial shareholder of SEB
Abdul Nasir Bin Adnan	Deemed substantial shareholder of SEB
Dato' (Dr) Teoh Seng Foo	Director and deemed substantial shareholder of SEB
Dato' Lim See Teok	Director and deemed substantial shareholder of SEB
Mr. Jaggit Singh a/l Tara Singh	Director and deemed substantial shareholder of SEB

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

14.4 General Information

- (a) The nature of the Group's business and the names of all corporations which are deemed to be related to the Company by virtue of Section 6 of the Companies Act, 1965 has been disclosed in Section 4.1 and 4.4 of this Prospectus.
- (b) The time of the opening and closing of the Application Lists are set out in Section 2.5 of this Prospectus.
- (c) The amount payable in full on application for the Public Issue Shares and Offer Shares is RM1.20 per Share.
- (d)
 - (i) Underwriting fees are payable by the Company to the Managing Underwriter and Underwriters mentioned in this Prospectus at the underwriting rate of 2.5% of the Public Issue/Offer price of RM1.20 per Share;
 - (ii) Placement fee is payable by the Offerors to the Placement Agent mentioned in this Prospectus at the rate of 2.0% of the Public Issue/Offer price of RM1.20 per Share;
 - (iii) Brokerage at the rate of 1.0% of the Public Issue/Offer price of RM1.20 per Share is payable by the Company and the Offerors in respect of Applications bearing the stamp of AmMerchant Bank, members of the KLSE, members of the Association of Merchant Banks in Malaysia, members of the Association of Banks in Malaysia or MIH. No amount or benefit has been paid or given within the two(2) years immediately preceding the date hereof, nor is it intended to be paid or given to any promoter;
 - (iv) Expenses incidental to the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Board of the KLSE amounting to approximately RM2,500,000 will be borne by the Company.
- (e) Save as disclosed in item (d) above, no commission, discounts, brokerages or other special terms have been paid, granted or are payable by the Company or its subsidiary companies within the two(2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company or its subsidiary companies or in connection with the issue or sale of any capital of the Company or any of its subsidiaries and no Director, proposed Director, promoter or expert is or are entitled to receive any such payment.
- (f) As at the date of this Prospectus, the Salcon Group has established places of business outside Malaysia in the following countries:
 - Vietnam
 - Thailand
 - India
 - China
 - Republic of Mauritius

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (g) During the last financial year and the current financial year to date, there were:
- (i) No public take-over offers by third parties in respect of the Company's shares; and
 - (ii) No public take-over offers by the Company in respect of other companies' shares.
- (h) Save as disclosed in Section 3 of this Prospectus, the Directors are not aware of any material information including trading factors or risks not mentioned elsewhere in this Prospectus which are unlikely to be known or anticipated by the general public and which would materially affect the profits of the Group.
- (i) Save as disclosed in Sections 1.10, 10.3 and 11 of this Prospectus, the financial conditions and operations of the Group are not affected by any of the following:
- (i) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way;
 - (ii) material commitments for capital expenditure;
 - (iii) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - (iv) known trends or uncertainties that have had or will have a material favourable or unfavourable impact on revenues or operating income.
- As far as the Directors are aware and except as disclosed in this Prospectus, the Group is not vulnerable to any specific factors or events of a particular nature other than those normal commercial risks experienced during the normal course of business.
- (j) As at the date of this Prospectus, neither the Company nor its subsidiaries have any outstanding convertible debt securities.
- (k) The name and address of the Auditor and Reporting Accountant of the Company are as set out in the Corporate Directory Section of this Prospectus.
- (l) The manner in which copies of this Prospectus together with the Application Forms and envelopes may be obtained is set out in Section 15 of this Prospectus.

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**14.5 Material Contracts**

Save as disclosed hereunder there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by Salcon and its subsidiary companies within two(2) years preceding the date of this Prospectus:

- (i) Novation Agreement dated 23 July 2001 between SEB, Trans MSB Sdn Bhd ("TMSB") and SBSSB. TMSB awarded to SEB a sub contract for the mechanical and electrical works for the project known as "Cadangan Penswastaaan dan Pembinaan Pusat Pengangkutan Awam, Kompleks Perdagangan dan Hotel di atas Lot PTB 1013, Mukim Gemereh, Daerah Segamat, Negeri Johor Darul Takzim Fasa 2, Kompleks Perdagangan" for the sum of RM12,311,000. Following various corporate exercises undertaken by SEB, SEB has consolidated its building services division under SBSSB. SEB has agreed to novate the Letter of Award to SBSSB and SBSSB has agreed to accept a novation of the Letter of Award from SEB. An Acknowledgement and Acquiescence was signed simultaneously with the sub-contractor, Kejuruteraan LHE Sdn Bhd, Air-Conditioning Systems Design Sdn Bhd, Globe Engineering Sdn Bhd and Saga Matra Jaya Engineering Sdn Bhd with the Novation Agreement mentioned above.
- (ii) Sale and Purchase Agreement dated 30 July 2001 between SRSB, a subsidiary company of SEB, and Maximal Dominance Sdn Bhd for the sale of property known as Lot DF17 together with a 3-storey detached factory with office space cum showroom erected or to be erected in the Meda Industrial Park for a total consideration of RM2,900,000.
- (iii) Sale and Purchase Agreement dated 21 March 2002 entered into between SEB and Lee Thim Loy, Low Beng Peow, and Ho Yueh Chuen, ("Shareholders of ESB") for the acquisition by SEB of 2,100,000 ordinary shares of RM1.00 each in ESB representing 60% of the issued and paid-up share capital of ESB, for a cash consideration of RM6,713,400.
- (iv) Agreement dated 21 March 2002 entered into between the Shareholders of ESB and SEB whereby the parties agreed that certain assets and liabilities of ESB will be transferred, assigned or novated to such third parties identified by the Shareholders of ESB in compliance with the above Sale and Purchase Agreement dated 21 March 2002 entered into between the Shareholders of ESB and SEB, one of which was the land held under HS(D) 102217, PT 16031, Mukim Damansara, Daerah Petaling together with a semi-detached light industrial factory erected thereon for the consideration of RM1,642,000 under the Sale and Purchase Agreement dated 28 June 2002.
- (v) Shareholders Agreement dated 21 March 2002 entered into between the Shareholders of ESB and SEB whereby the parties agreed to define the roles and obligations which will govern the relationship of the parties inter se as legal and beneficial owners of the entire shareholding of ESB.
- (vi) Deed of Indemnity dated 21 March 2002 entered into between the Shareholders of ESB and SEB whereby the Shareholders of ESB, being the indemnifying parties, agreed to jointly and severally indemnify ESB against, inter-alia, any liability to taxation.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (vii) Shareholders Agreement dated 30 July 2002 between SEB and KEB and Subscription Agreement dated 30 July 2002 between SEB, KEB and CCI for the subscription of 1,225 new ordinary shares in CCI representing Forty Nine per centum (49%) of the entire issued and paid up ordinary shares of CCI at USD1.00 each. SEB agreed to pay a sum of RM16,635,520 as consideration to KEB for the rights given in relation to the subscription.
- (viii) Sale and Purchase Agreement dated 30 September 2002 between Salcon, SHCB and vendors of SEB i.e. KEB, MASB and ETSB for the Acquisition.
- (ix) Agreement dated 26 November 2002 between SEB and Sejati Builders Sdn Bhd ("SBSB") in relation to the following:
 - (a) the offer by SBSB to pay the balance sum owed by Kumpulan Meda Liziz Bhd to SEB comprising RM69,648.45 ("1st Balance Sum");
 - (b) the indebtedness by SBSB to SRSB to the amount of RM1,122,972.60 ("2nd Balance Sum") and the assignment of the 2nd Balance Sum to SEB;
 - (c) invoice for PABX Maintenance provided to SBSB by SEB for the amount of RM1,648.25 ("3rd Balance Sum").

SBSB has offered and SEB has accepted, via this Agreement, shares in various public listed companies as settlement consideration of the 1st Balance Sum, 2nd Balance Sum and 3rd Balance Sum.
- (x) Settlement Agreement dated 21 February 2003 between SCESB and Isabel Timber Company Limited ("ITCL") (a subsidiary of KEB) in relation to an amount of USD378,638.79 owing by ITCL to SCESB as at 31 January 2003. It was agreed that ITCL shall settle in full the total debt outstanding to SCESB within fourteen(14) days after completion of the corporate restructuring of SHCB or within fourteen(14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE.
- (xi) Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Products (S.I.) Limited ("SPSL") (a subsidiary of KEB) in relation to an amount of USD292,123.58 owing by SPSL to SCESB as at 31 January 2003. It was agreed that SPSL shall settle in full the total debt outstanding to SCESB within fourteen(14) days after completion of the corporate restructuring of SHCB or within fourteen(14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE.
- (xii) Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Plantation Product (S.I.) Limited ("SPPL") (a subsidiary of KEB) in relation to an amount of USD544,996.06 owing by SPPL to SCESB as at 31 January 2003. It was agreed that SPPL shall settle in full the total debt outstanding to SCESB within fourteen(14) days after completion of the corporate restructuring of SHCB or within fourteen(14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE.
- (xiii) Underwriting Agreement made on 22 July 2003 between the Company, the Managing Underwriter and the Underwriters for the underwriting of 10,000,000 Shares in Salcon at an issue price of RM1.20 per Share at an underwriting commission of 2.5% on the Shares which are being underwritten.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**14.6 Material Agreements**

Save as disclosed hereunder, there are no other material agreements entered into by Salcon and its subsidiaries as at the date of this Prospectus:

SEB

1. Jabatan Bekalan Air Negeri Sembilan ("JBANS") awarded to SEB the Kuala Jelai Water Supply Project Phase 2 ("Phase 2") on 30 May 2000 at a total contract sum of RM92,279,892. The project was approved under the Seventh Malaysian Plan and again under the Eighth Malaysian Plan. SEB is to supply the materials, labour and plant necessary for the execution, completion and maintenance of the following:

- (a) An intake structure and raw water pumping station with a raw water output capacity of 100 Mld and M&E equipment for 50 Mld;
- (b) Treatment works at Kuala Jelai with a nominal output capacity of 90 Mld and M&E equipment for 45 Mld;
- (c) Refurbishment of the existing Phase 1 treatment plant;
- (d) A clear water tank;
- (e) 1000 mm raw water pumping pipeline from the proposed intake to the proposed treatment works;
- (f) A 4.5 ML balancing reservoir at Kepis; and
- (g) 400 mm water pumping pipeline from the proposed treatment works to the proposed 4.5ML Kepis reservoir.

The plant in respect of Phase 2 was completed and handed over to JBANS in March 2002. However, the refurbishment of the existing Phase 1 treatment works plant is expected to be completed by the third quarter of 2003.

2. Jabatan Bekalan Air Negeri Sembilan ("JBANS") awarded to SEB the Sungai Terip Stage III Water Treatment Plant on 14 June 2000 for a total contract sum of RM70,308,212. The contract was signed on 15 March 2001. The water treatment plant is to have a capacity of 136 Mld and operates 24 hours/day to cater for additional domestic and industrial demand in the District of Seremban and Port Dickson. The project was approved under the Seventh Malaysian Plan and again under the Eighth Malaysian Plan. SEB is to supply the materials, labour and plant necessary for the execution, completion and maintenance of the following:

- (a) Raw Water Intake and Pumping Station;
- (b) Raw Water Gravity Main;
- (c) Sg. Terip Stage III Water Treatment Plant;
- (d) Treatment Water Pumping Main; and
- (e) Sg Terip Balancing Reservoir.

The project was completed and handed over to JBANS in June 2002.

3. SEB has awarded the civil structure piling and associated work in relation to the Sg. Terip Project mentioned in (2) above to Visage Engineering Sdn Bhd on 13 July 2000 for a total sum of RM32,554,991.08.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

4. Perbadanan Air Melaka ("PAM") awarded to SEB the Lancang Treatment Works (Package B) in February 2002 for a total contract sum of RM109,888,698. The Lancang Treatment Works will be implemented in three stages, with Stage 1 and Stage 2 of nominal capacity of 55 Mld each and Stage 3 of nominal capacity of 110 Mld to meet the increasing water demand over the years. The project was approved under the Eight Malaysian Plan. SEB is to supply the materials, labour and plant necessary for the execution, completion and maintenance of the following:
- Raw Water intake works of nominal capacity of 58.5 Mld with some components of higher capacity allowed for future expansion;
 - 55 Mld Lancang treatment works with some components of higher capacity allowed for future expansion;
 - 5.0 km of 800 mm diameter mild steel raw water pipeline from Lancang intake to the treatment works;
 - 3.5 km of 700 mm diameter mild steel pipeline from Bukit Bahuddin reservoir to connect with the existing pipe;
 - 0.4 km of 700 mm diameter mild steel pipeline from the Lancang treated water pumping station to connect with the existing pipe feeding the existing Bukit Perah reservoir;
 - 0.5 km of 700 mm diameter mild steel pipeline from the Lancang treated water pumping station to the new Bukit Perah reservoir;
 - 1.2km of 700 mm diameter mild steel gravity from the new Bukit Perah reservoir to connect to the existing trunk mains at Cin Cin/Merlimau road; and
 - 9.0 Mld reinforced concrete reservoir at Bukit Perah.

The project is expected to be completed within a period of 24 months from the date of award i.e. by the first quarter of 2004.

5. Active Review (M) Sdn Bhd awarded to SEB the Johor Bahru Water Supply Privatisation Project – Stage 3, Work Contract No. 46-Design, Supply, Delivery, Install, Test and Commission Process Equipment for Sg. Johor Water Treatment Plant including upgrading telemetry system and Scada on the 1 March 2002 for a contract sum of RM32,021,701.

The project is expected to be completed within a period of 16 months from the date of award i.e. by 30 June 2003.

6. Notification dated 27 July 2002 from the Setiausaha Kerajaan Negeri Sembilan and letter dated 24 March 2003 from the Jabatan Bekalan Air Negeri Sembilan ("JBANS") in relation to the acceptance of SEB tender for the Management, Operation and Maintenance of Sg. Terip Water Treatment Plant (WTP), Kepis WTP, Pedas WTP, including monitoring and inspection of Sg. Terip Dam, Sg. Kelinchi Dam, Upper Muar Dam, Gemenchen Dam, Pedas Dam and Sg. Kelinchi Raw Water Pumping Station in the State of Negeri Sembilan. The operation and maintenance contract amounts to RM199,995,330 for a maintenance period of ten(10) years or until the privatisation of JBANS, whichever is earlier.

7. In the letter of award dated 19 March 2003, SEB has been awarded a RM35,000,000 contract for the development of water supply in the District of Sandakan by the Jabatan Bekalan Air, Sabah.

The contract is for a period of 30 months and commences from the date of site possession which is 16 April 2003.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**ESB**

1. On 8 October 1999, Pembinaan Tegap Tunas Sdn Bhd awarded to ESB the design, construction, commissioning, operation and maintenance of the proposed regional sewage plant and associated facilities at Phase 2C, Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan for a total contract sum of RM9,538,130.
2. On 14 December 2000, Shaz-Lan Development Sdn Bhd awarded to ESB the design, construction, commissioning, operation and maintenance of proposed sewerage facilities for part of Section 10, Taman Perindustrian Pulau Indah, Klang, Selangor Darul Ehsan for a total contract sum of RM12,544,000.
3. On 29 December 2000, Ranhill Bersekutu Sdn Bhd on behalf of Naraja Sdn Bhd awarded to ESB the design, construction, completion, operation and maintenance of sewage and sludge treatment plant (STP A & B) and intermediate sewage pumping stations including all ancillary works for the proposed mixed development at 10th Mile Cheras, Mukim Hulu Langat, Daerah Hulu Langat, Selangor Darul Ehsan for a total contract sum of RM6,050,000.
4. On 30 November 2001, Hussein & KH Chong Jurutera Perunding (M) Sdn Bhd awarded to ESB the design, supply, delivery, installation, testing, commissioning and maintenance of an activated sludge sewage treatment plant and proposed infrastructure works within the compound of treatment plant for Glomac Enterprise Sdn Bhd (PT858) and Glomac Land Sdn Bhd (PT836) for a total contract sum of RM6,018,250.
5. On 29 March 2002, Talam Builders Sdn Bhd awarded to ESB the design, supply, construction and completion of sewerage pumping stations for Cadangan Pembangunan Bercampur di atas Tanah Kerajaan Seluas 801.00 ekar, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan untuk Maxisegar Sdn Bhd for a total contract sum of RM6,100,000.
6. On 15 April 2002, Harum Intisari Sdn Bhd awarded to ESB the design, construction, completion, testing and commissioning of vacuum sewerage reticulation system for parcel A of the proposed mixed development project on Lot 122, 3377 and 72084, Mukim Klang, Daerah Klang, Selangor Darul Ehsan for a total contract sum of RM19,303,100.
7. On 20 November 2002, Jurureka Sepakat awarded to ESB the execution and completion of regional centralised STP (200,000PE) for mixed development on Lot 46 & 6677, Mukim Klang, Selangor Darul Ehsan for Labur Bina Sdn Bhd for a total contract sum of RM12,600,000.
8. On 10 December 2002, Ranhill Bersekutu Sdn Bhd on behalf of Perumahan Kinrara Berhad awarded to ESB the construction and completion of sewage pumping station no. 2 and ancillary work for Cadangan Pembangunan Kinrara Estate di atas Lot 3197, 3198 & 1804, Mukim Petaling, Selangor Darul Ehsan for a total contract sum of RM6,787,794.95.

14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**14.7 Material Litigation**

Save as disclosed below, neither the Company nor any of its subsidiary companies are engaged in any material litigation and arbitration, either as plaintiff or defendant, and the Board of Directors have no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or the business of the Company or any of its subsidiaries:

- (i) SEB had on 29 September 1999 commenced legal action in the Kuala Lumpur High Court against Citramuda Sdn Bhd ("Citramuda") and Readybuilt (M) Sdn Bhd ("Readybuilt"), being parties to an unincorporated consortium ("the Consortium"), for the sum of RM2,171,488.57 due to works carried out by SEB pursuant to a subcontract agreement dated 5 November 1996.

SEB obtained judgment in default against Citramuda on 15 December 1999. Citramuda was wound up by order of the Kuantan High Court on 20 June 2000. SEB attempted to enforce the judgment by way of garnishee proceedings against Kuala Lumpur International Airport Berhad, the employer of the Consortium but was not successful.

Readybuilt has filed its Defence. The case is pending full trial.

- (ii) In Shah Alam High Court, MQS Engineering Sdn Bhd ("MQS") had taken legal proceedings against SEB for an amount of RM4,745,035 pursuant to a Novation Agreement and Settlement Agreement both dated 23 November 2000.

MQS took out a summary judgment application against SEB but was not successful. The case has been referred to full trial.

14.8 Consents

The written consents of the Adviser and Managing Underwriter, Underwriters, Auditor and Reporting Accountant, Company Secretaries, Principal Bankers, Solicitors, Registrars and Issuing House for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given and have not subsequently been withdrawn.

The written consent of the Auditor and Reporting Accountant for the inclusion in this Prospectus of their name, Accountant's Report and letters relating to the Consolidated Profit Estimate and Forecast for the financial years ending 31 July 2003 and 2004 and the Proforma Consolidated Balance Sheets as at 31 January 2003 in the form and context in which they are contained in this Prospectus has been given and has not subsequently been withdrawn.

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14. FURTHER STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

14.9 Documents for Inspection

Copies of the following documents may be inspected at the registered office of the Company during normal business hours for a period of twelve(12) months from the date of this Prospectus:

- (a) Memorandum and Articles of Association of the Company;
- (b) The Directors' Report and Accountant's Report as included herein;
- (c) The Reporting Accountant's letters relating to the Consolidated Profit Estimate and Forecast for financial years ending 31 July 2003 and 2004 and Proforma Consolidated Balance Sheets as at 31 January 2003 as included herein;
- (d) The material contracts and material agreements referred to in Sections 14.5 and 14.6 of this Prospectus respectively;
- (e) The relevant cause papers in respect of the material litigation and arbitration referred to in Section 14.7 of this Prospectus;
- (f) The audited accounts of Salcon and its subsidiaries for the past five(5) financial years ended 31 July 2002 and for the financial period ended 31 January 2003;
- (g) The letters of consent referred to in Section 14.8 of this Prospectus; and
- (h) The existing service contracts between the Directors and the Company or its subsidiary companies referred to in Section 14.3(iii) of this Prospectus.

14.10 Responsibility Statements

- (a) This Prospectus has been seen and approved by the Directors and Promoters of the Company and the Offerors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements, or other facts the omission of which would make any statements herein false or misleading.
- (b) AmMerchant Bank being the Adviser and the Managing Underwriter acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the Offer for Sale, Public Issue and the Group, and is satisfied that the consolidated profit estimate and forecast for the financial years ending 31 July 2003 and 2004 (for which the Directors of the Company are fully responsible) prepared for inclusion in the Prospectus have been stated by the Directors of the Company after due and careful inquiry and have been fully reviewed by the Reporting Accountant.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE

15.1 Opening and Closing of Application Lists

The Application Lists for the Public Issue and Offer for Sale will open at 10.00 a.m. on 8 August 2003 and will remain open until 8.00 p.m. on the same day or for such further period or periods as the Directors and Promoters of Salcon in their discretion may decide, subject to the approval of the Managing Underwriter and Underwriters. Where the closing date of Application is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated newspaper not less than one(1) market day before the original closing date. Late Applications will not be accepted.

15.2 Procedure for Application

The Applications shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of the Company.

- (i) Application by eligible employees, directors of the Salcon Group and business associates of the Salcon Group as well as the eligible directors and employees of KEB

Applications for the 6,823,000 Public Issue Shares reserved for eligible employees and the directors of the Salcon Group and business associates of the Salcon Group as well as the eligible directors and employees of KEB, Salcon's holding company must be made only on the special **Pink** Application Forms provided and NOT on any other Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM.

- (ii) Application by the Malaysian Public

Applications for the 3,177,000 Public Issue Shares made available for the Malaysian Public must be made on the **White** Application Forms provided or by way of Electronic Share Application through a Participating Financial Institution's ATM.

- (iii) Application by placees via private placement

Applications for the 19,200,000 Public Issue Shares and 17,920,000 Offer Shares via private placement must be made on the **Yellow** Application Forms provided and NOT on any other Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM. The completed Applications Forms are to be delivered to the Placement Agent and NOT to any other party.

Application must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form or by way of Electronic Share Application through a Participating Financial Institution's ATM. In accordance with Section 41 of the Securities Commission Act, 1993, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Only one(1) Application can be made by each applicant. Multiple Applications will not be accepted. Each Application must be for 100 Shares or multiples thereof. The amount payable in full on Application is RM1.20 per Share. Persons submitting Applications by way of Application Forms may not submit Applications by way of Electronic Share Applications and vice versa. A corporation or institution cannot apply for Shares by way of Electronic Share Application.

Each completed Application Form must be despatched by **ORDINARY POST** in the official envelopes provided, to the Issuing House at the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
P.O.Box 13269
50804 Kuala Lumpur

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the back portion of Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, so as to arrive not later than **8.00 p.m. on 8 August 2003**.

Applications may also be delivered in a drive-in manner at Stadium Hoki Tun Razak, Jalan Duta, Kuala Lumpur on 8 August 2003, between 10.00 a.m. to 8.00 p.m. only.

IN THE CASE OF AN INDIVIDUAL APPLICANT OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME, NATIONAL REGISTRATION IDENTITY CARD NUMBER AND ADDRESS OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN:-

- (a) (i) THE APPLICANT'S IDENTITY CARD;
 - (ii) CHANGE OF ADDRESS CARD OR "RESIT PENUKARAN KAD PENGENALAN (JPN 1/22)"; OR
 - (iii) THE APPLICANT'S RESIT PENGENALAN SEMENTARA (JPN 1/9) ISSUED PURSUANT TO PERATURAN 5(5) PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND
- (b) THE RECORDS OF THE MALAYSIAN CENTRAL DEPOSITORY SDN BHD.

WHERE THE APPLICANT IS A MEMBER OF THE ARMED FORCES OR POLICE, THE NAME, AND THE ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, OF THE APPLICANT MUST BE EXACTLY THE SAME AS STATED IN HIS AUTHORITY CARD AND THE ADDRESS OF THE APPLICANT MUST BE THE ADDRESS OF THE APPLICANT'S RESPECTIVE CAMP/BASE/STATION.

IN THE CASE OF A CORPORATE/INSTITUTIONAL APPLICANT, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER OF THE APPLICANT MUST BE EXACTLY THE SAME AS THE APPLICANT'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE EXACTLY THE SAME AS THE REGISTERED ADDRESS.

No acknowledgement of the receipt of Application Forms or Application monies will be made by the Company.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.3 Applications and Acceptances

The Directors of Salcon reserve the right not to accept any Application which do not strictly comply with the instructions or to accept any Application in part only without assigning any reason therefor.

THE SUBMISSION OF AN APPLICATION DOES NOT NECESSARILY MEAN THAT THE APPLICATION WILL BE SUCCESSFUL.

ALL APPLICATIONS MUST BE FOR 100 ORDINARY SHARES OF RM0.50 EACH OR MULTIPLES THEREOF.

In the event of over-subscription, acceptance of Applications will be subject to ballot to be conducted in the manner as approved by the Directors. Due consideration will be given to the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view to broadening the shareholding base of the Company and to establish an adequate market in the Shares of the Company. Acceptance of Applications will be made in a manner so as to comply with the SC's shareholding spread requirements that at least 25% of the issued and paid-up capital is in the hands of public shareholders and a minimum number of 1,000 public shareholders holding not less than 100 Shares each. Applicants will be selected in a manner to be determined by the Directors of Salcon. In the event the shareholding spread is not met, the Company may not be allowed to proceed with its listing.

In the event of an under-subscription by the Malaysian Public, the Public Issue Shares not applied for will be made available for subscription by the Underwriters in proportions stipulated in the Underwriting Agreement dated 22 July 2003. Any Shares not subscribed by the eligible employees, and the directors of the Salcon Group as well as the eligible directors and employees of KEB, Salcon's holding company will be made available for Application by the Malaysian Public.

WHERE AN APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE RETURNED WITHOUT INTEREST AND SHALL BE DESPATCHED BY ORDINARY POST OR REGISTERED POST RESPECTIVELY TO THE APPLICANT, WITHIN TWENTY-ONE(21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS, AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

THE ISSUING HOUSE RESERVES THE RIGHT TO BANK IN ALL MONIES FROM UNSUCCESSFUL BUMIPUTERA APPLICANTS AND FROM PARTIALLY SUCCESSFUL APPLICATIONS. REFUND MONIES IN RESPECT OF UNSUCCESSFUL BUMIPUTERA APPLICANTS AND PARTIALLY SUCCESSFUL APPLICANTS WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN TWENTY-ONE(21) DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS BY REGISTERED POST AT THE ADDRESS SHOWN ON THE APPLICATION FORM AT THE APPLICANT'S OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES BEING PRESENTED FOR PAYMENT.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**15.4 CDS Accounts**

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, the KLSE has prescribed Salcon as a prescribed security. In consequence thereof, the Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

Pursuant to Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in the Shares will be by book entries through CDS Accounts. No share certificates will be issued to successful applicants.

In the case of an application by way of Application Form, an applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS Account, he should state in the Application Form his preferred ADA Code in the space provided. A list of ADA Codes is given in Section 15.7 of this Prospectus. Where an applicant already has a CDS Account, he should not complete the preferred ADA Code.

If a successful applicant fails to state either his CDS Account number or his preferred ADA Code, the Company may, in the exercise of its absolute discretion, instruct the Issuing House to insert a preferred ADA Code on the Application Form and further instruct MCD to open a CDS Account on the applicant's behalf at the specified ADA and credit the Shares allotted to the successful applicant into the successful applicant's CDS Account.

Where an applicant already has a CDS account his completion of the Application Form includes his authority for MCD to disclose information pertaining to the CDS account to the Issuing House/Company.

In the case of an Application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account Number to the Participating Financial Institution or by way of keying in his CDS Account Number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

Failure to comply with these specific instructions as required for the Electronic Share Application or inaccuracy in the CDS Account number or the preferred ADA Code may result in the Application being rejected. The Directors of the Company reserve the right to reject any incomplete or inaccurate Application. Applications may also be rejected if the applicant's particulars provided in their Application Forms, or in the case of Electronic Share Applications, if the records of the Participating Financial Institutions at the time of making the Electronic Share Applications differ from those in MCD's records, such as the identity card number, names and nationalities.

15.5 Notice of Allotment

Shares allotted to all successful or partially successful applicants will be credited to their respective CDS Account. A notice of successful allotment will be despatched to the successful or partially successful applicant at his/her addresses shown in the Application Form where the applicant does not presently have a CDS account or to the applicant's address last maintained with the MCD where the applicant has an existing CDS account at the applicant's own risk within thirty(30) days after the final ballot of the Application. For Electronic Share Applications, the notice of allotment will be dispatched to the successful or partially successful applicant at his/her address last maintained with the MCD at the applicant's own risk within thirty(30) days after the final ballot of the Application List. This is the only acknowledgement of acceptance of the Application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**15.6 Formalising of CDS Accounts**

Successful or partially successful applicants whose CDS Accounts have been opened by MCD at their preferred ADA or the ADA caused to be inserted by the MIH at the instruction of the Company in case where the successful or partially successful applicants fail to state either their CDS account numbers or the preferred ADA Codes are required to formally open their accounts by submitting to the ADA the necessary documents and the account opening fees. No transaction of Shares credited to the accounts can be effected until the accounts have been formally opened.

15.7 List of ADA

A list of the ADA Codes is as follows:-

Name	Address and Telephone Number	ADA Code
<u>KUALA LUMPUR</u>		
AFFIN-UOB SECURITIES SDN BHD	Level 3, Menara Keck Seng 203, Jalan Bukit Bintang 55100 Kuala Lumpur Tel No.: 03-2143 8668	028-001
AVENUE SECURITIES SDN BHD	Ground Floor & Level 1 THB Satu, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No.: 03-2095 1111	052-001
AmSECURITIES SDN BHD	15th Floor, Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2078 2788	086-001
BBMB SECURITIES SDN BHD	Level 2, 3, 4 & 15, Menara Olympia No. 8 Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2031 9900	099-001
BIMB SECURITIES SDN BHD	1st & 2nd Floor Podium Block, AMDB Building No. 1, Jalan Lumut 50400 Kuala Lumpur Tel No: 03-4043 3533	024-001
CIMB SECURITIES SDN BHD	9th Floor, Commerce Square Jalan Semantan Damansara Heights 50490 Kuala Lumpur Tel No: 03-2084 9999	065-001
HLG SECURITIES SDN BHD	Level 5, Wisma Kia Peng No.3, Jalan Kia Peng 50450 Kuala Lumpur Tel No.:03-2168 1168	066-001
HWANG-DBS SECURITIES BERHAD	2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No: 03-7710 6688	068-009

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
HWANG-DBS SECURITIES BERHAD	Nos 34-5, 36-5, 40-5 & 44-5 5th Floor, Cheras Commercial Centre Jalan 5/101C Off Jalan Kaskas, 5th Mile Cheras 56100 Kuala Lumpur Tel No: 03-9130 3399	068-012
INTER-PACIFIC SECURITIES SDN BHD	Level 7, Shahzan Insas Tower 30, Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2144 1888	054-001
JUPITER SECURITIES SDN BHD	7 th – 9 th Floor Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2034 1888	055-001
K & N KENANGA BHD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No: 03-2164 9080	073-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	30 th Floor, The Weld Tower No.76, Jalan Raja Chulan 50200 Kuala Lumpur Tel No: 03-2020 1600	053-001
KUALA LUMPUR CITY SECURITIES SDN BHD	No.8, Jalan Binjai Off Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2166 7922	076-001
KUALA LUMPUR CITY SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. 33, Plaza Crystaville, Jalan 23/70A Desa Sri Hartamas 50480 Kuala Lumpur Tel No:03-6203 3366	076-010
LEONG & COMPANY SDN BHD	Level 18, Wisma Cyclecarri 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No: 03-2692 8899	061-001
M & A SECURITIES SDN BHD	Level G-2, No 45 & 47 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No: 03-2282 1820	057-002
MAYBAN SECURITIES SDN BHD	Level 5-13 MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No: 03-2297 8888	098-001
MIDF SISMA SECURITIES SDN BHD	17th & 18th Floor, Empire Tower 182, Jalan Tun Razak 50400 Kuala Lumpur Tel No.: 03-2166 8888	026-001
OSK SECURITIES BERHAD	10th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No: 03-2162 4388	056-001

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
OSK SECURITIES BERHAD	Ground Floor, No. 15, Block A Jalan Prima 1 Pusat Niaga Metro Prima, Kepong 52100 Kuala Lumpur Tel No: 03-6257 5869	056-028
PB SECURITIES SDN BHD	27 th Floor, Bangunan Public Bank No.6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-2031 3011	051-001
PM SECURITIES SDN BHD (<i>formerly known as Pengkalen Securities Sdn Bhd</i>)	Ground & 1 st Floor, MUI Plaza Jalan P.Ramlee 50250 Kuala Lumpur Tel No: 03-2146 3000	064-001
RHB SECURITIES SDN BHD	Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No: 03-9285 2233	087-001
TA SECURITIES BERHAD	TA One Tower No.22, Jalan P.Ramlee 50250 Kuala Lumpur Tel No: 03-2072 1277	074-001
SIME SECURITIES SDN BHD	21st Floor, Bangunan SIME Bank 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No: 03-2274 9288	097-001
<u>SELANGOR DARUL EHSAN</u>		
AFFIN-UOB SECURITIES SDN BHD	2 nd , 3 rd & 4 th Floors Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No: 03-3343 9999	028-002
HWANG-DBS SECURITIES BERHAD	16 th , 18 th – 20 th Floor Plaza Masalam No.2, Jalan Tengku Ampuan Zabedah E9/E, Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No.: 03-5513 3288	068-002
HWANG-DBS SECURITIES BERHAD	East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No: 03-5635 6688	068-010
JF APEX SECURITIES BERHAD	3rd Floor, Wisma Apex 145A-C Jalan Bukit 43000 Kajang Selangor Darul Ehsan Tel No: 03-8736 1118	079-001

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
JF APEX SECURITIES BERHAD	15 th & 16 th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7620 1118	079-002
K & N KENANGA BHD	Room 7.02, Level 7, Menara ING Intan Millenium Square No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No.: 03-3005 7001	073-007
K & N KENANGA BHD	1 st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No.: 03-8024 1682	073-006
K & N KENANGA BHD	13 th Floor Menara Yayasan Selangor No. 18A, Jalan Persiaran Barat Off Jalan Timur 46000 Petaling Jaya Selangor Darul Ehsan Tel No.: 03-7956 2169	073-005
SJ SECURITIES SDN BHD	Level 3, Holiday Villa No 9, Jalan SS 12/1 Subang Jaya 47500 Petaling Jaya Selangor Darul Ehsan Tel No: 03-5634 0202	096-001
MOHAIYANI SECURITIES SDN BHD	1 st , 2 nd & 3 rd Floor Plaza Damansara Utama No.2, Jalan SS21/60 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7729 7345	095-001
OSK Securities Berhad	24, 24M, 26M, 28M & 28A Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No: 03-7873 6366	056-011
PM SECURITIES SDN BHD	No. 157 & 159 Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No: 03-8070 0773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No: 03-33415300	064-007

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
<u>MALACCA</u>		
MALACCA SECURITIES SDN BHD	No.1, 3 & 5, Jalan PPM 9 Plaza Pandan Malim (Business Park) Balai Panjang, P.O. Box 248 75250 Malacca Tel No: 06-337 1533	012-001
OSK SECURITIES BERHAD	579, 580-581A & B Taman Malacca Raya 75000 Malacca Tel No: 06-282 5211	056-003
PM SECURITIES SDN BHD	No. 11 & 13, Jalan PM 2 Plaza Mahkota 75000 Melaka Tel No: 06-286 6008	064-006
STRAITS SECURITIES SDN BHD	Lot 9 & 10, 1st Floor Bangunan Tabung Haji Jalan Bandar Kaba 75000 Malacca Tel No: 06-283 3622	087-002
<u>PERAK DARUL RIDZUAN</u>		
BOTLY SECURITIES SDN BHD	1st Floor, Plaza Teh Teng Seng 227, Jalan Kampar 30250 Ipoh Perak Darul Ridzuan Tel No: 05-253 1313	058-001
HWANG-DBS SECURITIES BERHAD	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No.: 05-806 0888	068-003
KUALA LUMPUR CITY SECURITEIS SDN BHD	No. 43 & 44, Ground Floor, Taman Sentosa, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No: 05-691 0910	076-008
AVENUE SECURITIES SDN BHD	No. 63, Persiaran Greenhil 30450 Ipoh Perak Darul Ridzuan Tel No: 05-242 2828	052-002
M & A SECURITIES SDN BHD	M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No: 05-241 9800	057-001
MAYBAN SECURITIES SDN BHD	55, 57 & 63, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-255 8233	098-002
SBB SECURITIES SDN BHD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No: 05-253 0888	090-001

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
OSK SECURITIES BERHAD	21-25, Jalan Seenivasagam 30450 Ipoh Perak Darul Ridzuan Tel No: 05-241 5100	056-002
OSK SECURITIES BERHAD	17G, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No: 05-623 6498	056-014
OSK SECURITIES BERHAD	No.23 & 25, Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No: 05-692 1228	056-016
OSK SECURITIES BERHAD	28, Jalan Maharaja, Taman Bagan Serai Baru 34300 Bagan Serai Perak Darul Ridzuan Tel No: 05-721 4298	056-018
OSK SECURITIES BERHAD	Ground Floor, No.40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No: 05-808 8229	056-034
<u>PULAU PINANG</u>		
A.A. ANTHONY & COMPANY SDN BHD	No. 41-1-1 & 41-2-1 Jalan Cantonment 10250 Pulau Pinang Tel No: 04-229 9318	078-002
HWANG-DBS SECURITIES BERHAD	Level 2, 3, 4, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No: 04-263 6996	068-001
HWANG-DBS SECURITIES BERHAD	Ground, 1 st & 2 nd Floor 1620 & 1621, Jalan Permatang Batu Taman Industri Permatang Batu 14000 Bukit Mertajam Pulau Pinang Tel No.: 04-537 2882	068-006
OSK SECURITIES BERHAD	64, Bishop Street 20F & 20G, Penang Street 10200 Pulau Pinang Tel No: 04-263 4222	056-004
OSK SECURITIES BERHAD	Level 19, Menara NB 5050 Jalan Bagan Luar 12000 Butterworth Pulau Pinang Tel No.: 04-332 2299	056-005
OSK SECURITIES BERHAD	11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No: 04-537 5687	056-015

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
OSK SECURITIES BERHAD	No.834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Sebarang Perai Selatan Pulau Pinang Tel No: 04-583 1888	056-032
OSK SECURITIES BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No: 04-6404 888	056-042
MERCURY SECURITIES SDN BHD	Ground, 1 st , 2 nd & 3 rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Sebarang Perai Pulau Pinang Tel No: 04-332 2123	093-001
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04-227 3000	064-004
BBMB SECURITIES SDN BHD	7th & 8th Floor, Menara PSCI 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No: 04- 228 3355	099-002
AVENUE SECURITIES SDN BHD	No.111, Jalan Macalister 10400 Pulau Pinang Tel No: 04-228 1868	052-003
THONG & KAY HIAN SECURITIES SDN BHD	Level 5 & 6, Wisma Sri Pinang 60 Green Hall 10200 Pulau Pinang Tel No: 04-263 5481	070-001
UT SECURITIES SDN BHD	6 th , 10 th & 12 th Floor, Bangunan Mayban Trust 3 Penang Street 10200 Pulau Pinang Tel No: 04-262 6644	059-001
<u>PERLIS INDRA KAYANGAN</u>		
KUALA LUMPUR CITY SECURITIES SDN BHD	2 nd Floor, Podium Block Bangunan KWSP 01000 Kangar Perlis Indra Kayangan Tel No: 04-976 5200	076-003
<u>KEDAH DARUL AMAN</u>		
HWANG-DBS SECURITIES SDN BHD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-425 6666	068-011

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
KUALA LUMPUR CITY SECURITIES SDN BHD	2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No: 04-731 7088	076-004
OSK SECURITIES BERHAD	No. 1, Jalan Pahlawan 08000 SungaiPetani Kedah Darul Aman Tel No: 04-4235122	056-017
OSK SECURITIES BERHAD	No. 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No: 04-4955351	056-019
OSK SECURITIES BERHAD	Ground & 1st Floor, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor setar Kedah Darul Aman Tel No: 04-7304530	56-021
<u>NEGERI SEMBILAN DARUL KHUSUS</u>		
PM SECURITIES SDN BHD	1 st , 2 nd & 3 rd Floors 19 - 21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-762 3131	064-002
HWANG-DBS SECURITIES BERHAD	Ground & 1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-761 2288	068-007
HWANG-DBS SECURITIES BERHAD	No. 6 Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No: 06-455 3188	068-013
OSK SECURITIES BERHAD	Ground, 1 st & 2 nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No: 06-764 1641	056-024
OSK SECURITIES BERHAD	1 st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No: 06-442 1000	056-037
OSK SECURITIES BERHAD	1 st & 2 nd Floor, No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 71200 Bahau Negeri Sembilan Darul Khusus Tel No: 06-455 3011	056-040

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
<u>JOHOR DARUL TAKZIM</u>		
AmSECURITIES SDN BHD (<i>formerly known as Arab-Malaysian Securities Sdn Bhd</i>)	2nd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No: 07-434 2282	086-002
ENG SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No: 07-223 1211	081-001
HWANG-DBS SECURITIES BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No.: 07-222 2692	068-004
A.A. ANTHONY SECURITIES SDN BHD	Suite 8.2, Level 8 Menara Sarawak Enterprise No.5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No: 07-333 2000	078-001
AVENUE SECURITIES SDN BHD	No. 57, 59 & 61 Jalan Ali 84000 Muar Johor Darul Takzim Tel No: 06-953 2222	052-004
KUALA LUMPUR CITY SECURITIES SDN BHD	No. 46 & 48 Jalan Dato' Kapten Ahmad 86000 Kluang Johor Darul Takzim Tel No: 07-771 7922	076-006
OSK SECURITIES BERHAD	Unit 27-01 to 27-08 Level 27, Menara Landmark No. 12, Jalan Ngee Heng 80000 Johor Bahru Johor Darul Takzim Tel No: 07-221 2233	056-006
OSK SECURITIES BERHAD	53, 53-A & 53-B Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No: 07-438 0288	056-009
OSK SECURITIES BERHAD	Ground Floor, 17, Jalan Delima Pusat Perdagangan Pontian 82000 Pontian Johor Darul Takzim Tel No: 07-686 8018	056-023
OSK SECURITIES BERHAD	Ground & 1 st Floor No.19, Jalan Pesta 1-1 Taman Tun Dr. Ismail 1, Jalan Bakri 84000 Muar Johor Darul Takzim Tel No: 06-953 8262	056-025

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
OSK SECURITIES BERHAD	Ground & 1 st Floor 10, Jalan Bendahara 12 Taman Ungku Tun Aminah 81300 Skudai Johor Darul Takzim Tel No: 07-557 7628	056-029
OSK SECURITIES BERHAD	Ground & 1 st Floor No. 28, Jalan Tengku Ahmad 85000 Segamat Johor Darul Takzim Tel No: 07-932 1543	056-030
OSK SECURITIES BERHAD	Ground, 1 st & 2 nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No: 07-776 9655	056-031
OSK SECURITIES BERHAD	240 & 240A, Jalan Besar 83700 Yong Peng Johor Darul Takzim Tel No: 07-467 5388	056-033
OSK SECURITIES BERHAD	Ground, 1 st & 2 nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No: 07-662 6288	056-035
OSK SECURITIES BERHAD	Ground Floor, No 7, Jalan Jaya 81900 Kota Tinggi Johor Darul Takzim Tel No : 07-882 2018	056-036
OSK SECURITIES BERHAD	Ground , 1 st & 2 nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No: 06-978 7180	056-038
OSK SECURITIES BERHAD	1 st Floor, No 2 & 4 Jalan Makmur, Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No: 07-925 6881	056-039
PM SECURITIES SDN BHD	Suite 5.1, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-278 1813	064-005
K & N KENANGA BHD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No: 07-333 3600	073-004
K & N KENANGA BHD	No 31, Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No: 06-954 2711	073-008

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
K & N KENANGA BHD	No 34, Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No: 07-933 3515	073-009
K & N KENANGA BHD	No. 33 & 35 (Ground & 1 st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No: 07-777 1161	073-010
<u>PAHANG DARUL MAKMUR</u>		
KUALA LUMPUR CITY SECURITIES SDN BHD	A-397, A-399 & A-401 Taman Sri Kuantan III Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No: 09-566 0800	076-002
OSK SECURITIES BERHAD	A-27 & A-29, Lorong Tun Ismail 9 Seri Dagangan Kuantan Business Centre 25000 Kuantan Pahang Darul Makmur Tel No.:09-516 3811	056-007
OSK SECURITIES BERHAD	Ground Floor, 98 Jalan Pasdec 2870 Bentong Pahang Darul Makmur Tel No: 09-223 4943	056-022
OSK SECURITIES BERHAD	Ground Floor No. 43 Jalan Bunga Tanjung 28400 Mentakab Pahang Darul Makmur Tel No: 09-277 1541	056-026
OSK SECURITIES BERHAD	Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No: 05-491 4913	056-041
<u>KELANTAN DARUL NAIM</u>		
KOTA BHARU SECURITIES SDN BHD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No: 09-743 2288	075-001
KUALA LUMPUR CITY SECURITIES SDN BHD	Lot 6 & 7, Section 25 Jalan Sultan Yahya Petra Bandar Kota Bharu 15200 Kota Bharu Kelantan Darul Naim Tel No: 09-743 2588	076-007
OSK SECURITIES BERHAD	No 3953-H (Ground & 1 st Floor) Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No: 09-743 0077	056-020

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
<u>TERENGGANU DARUL IMAN</u>		
FA SECURITIES SDN BHD	No.51 & 51A Ground, Mezzanine & 1 st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No: 09-623 8128	021-001
KUALA LUMPUR CITY SECURITIES SDN BHD	No. 1D, Ground & Mezzanine No.1E, Ground, Mezzanine 1 st & 2 nd Floor, Jalan Air Jemeh 20300 Kuala Terengganu Terengganu Darul Iman Tel No: 09-631 7900	076-009
OSK SECURITIES BERHAD	Ground Floor, 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No: 09-858 3109	056-027
PTB SECURITIES SDN BHD	1 st , 2 nd & 3 rd Floors No. 61, Jalan Sultan Ismail P.O Box 151, Pejabat Pos Besar 20700 Kuala Terengganu Terengganu Darul Iman Tel No.: 09-623 5546	025-001
<u>SARAWAK</u>		
BORNEO SECURITIES SDN BHD	12G, Jalan Kampung Datu 96000 Sibul Sarawak Tel No.: 084-319 998	030-001
HWANG-DBS SECURITIES BERHAD	Lot 328, Jalan Abell 93100 Kuching Sarawak Tel No: 082-236 999	068-005
K & N KENANGA BHD	Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No: 082-338 000	073-003
K & N KENANGA BHD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No.: 085-435 577	073-002
OSK SECURITIES BERHAD	Ground & 1 st Floor Wisma Chinese Chambers Lot 357, Section 47, K.T.L.D. Jalan Bukit Mata Kuching 93100 Kuching Sarawak Tel No.:082-422 252	056-008

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name	Address and Telephone Number	ADA Code
OSK SECURITIES BERHAD	Lot 1168, Ground Floor Wisma Interhill Miri Waterfront Commercial Centre 98008 Miri Sawarak Tel No: 085-422 788	056-012
OSK SECURITIES BERHAD	101 & 102, Pusat Pedada Jalan Pedada 96000 Sibul Sawarak Tel No: 084-329 100	056-013
<u>SABAH</u>		
INNOSABAH SECURITIES BERHAD	11 Equity House, Block K Sadong Jaya Karamunsing 88100 Kota Kinabalu Sabah Tel No: 088-234 090	020-001
HWANG-DBS SECURITIES BERHAD	Room Nos 106-109, Mezzanine Floor Room Nos 207-212, 2 nd Floor Gaya Centre, Jalan Tun Fuad Stephens 88400 Kota Kinabalu Sabah Tel No.:088-311 688	068-008
KUALA LUMPUR CITY SECURITIES SDN BHD	Suite 1-9 E1, 9 th Floor CPS Tower No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No: 088-253 922	076-005
OSK SECURITIES BERHAD	5 th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No: 088-269 788	056-010
<u>WILAYAH PERSEKUTUAN LABUAN</u>		
CIMB SECURITIES SDN BHD	Unit 7(A), Level 7 Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Wilayah Persekutuan Labuan Tel No: 087-451 666	065-002

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**15.8 Terms and Conditions for Applications Using Application Forms**

Applications by way of Application Forms shall be made on, and subject to, the terms and conditions appearing below:

- (1) Application must be made on the Application Form issued together with this Prospectus and must be completed in accordance with the Notes and Instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 41(2) of the Securities Commission Act 1993, the Application Form together with the Notes and Instructions printed therein shall constitute an integral part of this Prospectus. Applications which do not STRICTLY conform to the terms of this Prospectus or Application Form or Notes and Instructions printed therein or which are illegible will not be accepted.
- (2) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCES IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY:-
 - (A) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (B) CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES IN MALAYSIA AND DRAWN ON A BANK IN KUALA LUMPUR (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (C) MONEY ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR
 - (D) GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD (DIFFERENTIATED BY A SPECIAL RED BAND FOR BUMIPUTERA APPLICANTS); OR
 - (E) ATM STATEMENT OBTAINED FROM:
 - AFFIN-ACF FINANCE BERHAD;
 - ALLIANCE BANK MALAYSIA BERHAD;
 - AmBANK BERHAD;
 - AmFINANCE BERHAD;
 - BUMIPUTRA-COMMERCE BANK BERHAD;
 - BANK UTAMA (MALAYSIA) BERHAD;
 - EON BANK BERHAD;
 - EON FINANCE BERHAD;
 - HONG LEONG FINANCE BERHAD;
 - HONG LEONG BANK BERHAD;
 - MALAYAN BANKING BERHAD;
 - MAYBAN FINANCE BERHAD;
 - PUBLIC BANK BERHAD;
 - PUBLIC FINANCE BERHAD;
 - RHB BANK BERHAD;
 - SOUTHERN BANK BERHAD; OR
 - SOUTHERN FINANCE BERHAD.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

AND MUST BE MADE OUT IN FAVOUR OF

MIH SHARE ISSUE ACCOUNT NO.267

AND **CROSSED "A/C PAYEE ONLY"** (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICATION FORM). APPLICATIONS ACCOMPANIED BY ANY MODE OF PAYMENT OTHER THAN THOSE STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES WILL NOT BE ACCEPTED. DETAILS OF THE REMITTANCE MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED ON THE APPLICATION FORMS.

- (3) AN APPLICANT SHOULD STATE HIS CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM IF HE PRESENTLY HAS SUCH AN ACCOUNT AND HE SHALL BE DEEMED TO HAVE AUTHORISED MCD TO DISCLOSE INFORMATION PERTAINING TO THE CDS ACCOUNT TO THE ISSUING HOUSE/COMPANY. WHERE AN APPLICANT DOES NOT PRESENTLY HAVE A CDS ACCOUNT, HE SHOULD STATE IN HIS APPLICATION FORM HIS PREFERRED ADA CODE.
- (4) THE NAME AND ADDRESS OF THE APPLICANT (AS EXACTLY STATED ON THE APPLICATION FORM) MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER'S DRAFT, CASHIER'S ORDER, ATM STATEMENT, MONEY ORDER, CHEQUES ISSUED BY PARTICIPATING LICENSED FINANCE COMPANIES OR GUARANTEED GIRO ORDER (GGO) FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD.
- (5) The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIH within fourteen(14) days of the date of the notice issued to him/her to ascertain the regularity or propriety of the Application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.
- (6) The Directors of the Company reserve the right to reject Applications which do not conform to these instructions or which are illegible or which are accompanied by remittances improperly drawn.
- (7) The Directors of the Company reserve the right not to accept any Application or accept any Application in part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
- (8) Where an Application is not accepted or accepted in part only, the full amount or the balance of the Application monies, without interest, will be returned and shall be despatched to the applicant within twenty-one(21) days from the date of the final ballot of the Application Lists by registered post at the address shown on the Application Form at the applicant's own risk.
- (9) MIH reserves the right to bank in all Application monies from unsuccessful Bumiputera applicants and partially successful applicants, which would subsequently be refunded without interest by registered post.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (10) The Directors reserve the right to extend the closing date for applications for the Issue Shares.
- (11) PLEASE DIRECT ALL ENQUIRIES IN RESPECT OF THE FORM OF APPLICATION TO MIH.

15.9 Terms and Conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the "Steps"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in "Steps for Electronic Share Application through a Participating Financial Institution's ATM" in Section 15.10 of this Prospectus. The Steps set out the actions that the applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to the "applicant" in the terms and conditions for Electronic Share Applications and the Steps shall mean the applicant who applies for Shares through an ATM of any of the Participating Financial Institutions.

In the case of Electronic Share Applications, only an applicant who is an individual with a CDS Account is eligible to utilise the facility.

The applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Financial Institutions before he can make an Electronic Share Application at an ATM of the Participating Financial Institution. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of his Electronic Share Application transaction, the applicant will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of his Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by the Company or the Issuing House. The Transaction Record is for retention by the applicant and should not be submitted with any Application Form.

Upon the closing of the offer for the Application on 8 August 2003 at 8.00 p.m. ("**Closing Date and Time**"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' Applications for the Public Issue Shares to MIH as soon as practicable but not later than 12.00 p.m. of the 2nd business day after the Closing Date and Time.

An applicant will be allowed to make an Electronic Share Application for Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which he has an account and its branches, subject to the applicant making only one Application.

AN APPLICANT MUST ENSURE THAT HE USES HIS OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. AN APPLICANT OPERATING A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION MUST ENSURE THAT HE ENTERS HIS OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO HIM IN HIS OWN NAME. HIS APPLICATION WILL BE REJECTED IF HE FAILS TO COMPLY WITH THE FOREGOING.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

The Electronic Share Application shall be made on, and subject to, the terms and conditions above as well as the following terms and conditions:

- (a) The Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and the Memorandum and Articles of Association of the Company.
- (b) The applicant is required to confirm the following statements (by depressing predesignated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:
 - ☒ I have attained 18 years of age as at the Closing Date of the Share Application.
 - ☒ I am a Malaysian citizen residing in Malaysia.
 - ☒ I have read the relevant Prospectus and understood and agreed with the terms and conditions of this Application.
 - ☒ This is the only Application that I am submitting.
 - ☒ I hereby give consent to the Participating Financial Institution and MCD to disclose information pertaining to myself and my account with the Participating Financial Institution and MCD to the Issuing House and other relevant authorities.

The Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless the applicant completes all the steps required by the Participating Financial Institution. By doing so, the applicant shall be treated as signifying his confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 97 of the Banking and Financial Institutions Act 1989 and Section 45 of the Securities Industry (Central Depositories) Act 1991 to the disclosure by the relevant Participating Financial Institution or MCD, as the case may be, of any of the applicant's particulars to the relevant Issuing House, or any relevant regulatory bodies.

- (c) THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC SHARE APPLICATION THAT HE MAKES IS MADE BY HIM AS BENEFICIAL OWNER. THE APPLICANT SHALL ONLY MAKE ONE ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE SAID SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS.
- (d) The applicant must have sufficient funds in his account with the relevant Participating Financial Institution at the time he makes his Electronic Share Application, failing which his Electronic Share Application will not be completed. Any Electronic Share Application that does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.

The applicant agrees and undertakes to subscribe for or purchase and to accept the number of Shares applied for as stated on the Transaction Record or any lesser number of Shares that may be allotted or allocated to him in respect of his Electronic Share Application. In the event that the Company decides to allot or allocate any lesser number of such Shares or not to allot or allocate any Shares to the applicant, the applicant agrees to accept any such decision as final. If the applicant's Electronic Share Application is successful,

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

his confirmation (by his action of pressing the designated key on the ATM) of the number of Shares applied for shall signify, and shall be treated as, his acceptance of the number of Shares that may be allotted or allocated to him and to be bound by the Memorandum and Articles of Association of the Company.

- (e) The Company reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in part only without assigning any reason therefore. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
- (f) Where an Electronic Share Application is not successful or successful in part only, the relevant Participating Financial Institution will be informed of the non-successful or partially successful Applications. Where an Electronic Share Application is not successful, the relevant Participating Financial Institution will credit the full amount of the Application monies without interest into the applicant's account with that Participating Financial Institution within two(2) market days after the receipt of confirmation from MIH. MIH shall inform the Participating Financial Institutions of the non-successful or partially successful Applications within two(2) market days of the balloting date. The applicant may check their accounts on the fifth market day from the balloting date.

Where an Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the Application monies without interest into the applicant's account with that Participating Financial Institution within two(2) market days after the receipt of confirmation from the Issuing House. A number of Applications will, however, be held in reserve to replace any successfully balloted Applications that are subsequently rejected. For such Applications that are subsequently rejected, the Application monies without interest will be refunded to applicants by MIH by way of cheques issued by MIH. The cheques will be issued not later than twenty-one(21) days from the day of the final ballot of the Application List.

Should applicants encounter any problems in their Applications, they may refer to the Participating Financial Institutions.

- (g) The applicant requests and authorises the Company:
 - (i) to credit the Shares allotted or allocated to the applicant into the CDS account of the applicant; and
 - (ii) to issue share certificate(s) representing such Shares allotted or allocated in the name of MCD Nominees Sdn Bhd and send the same to MCD.
- (h) The applicant, acknowledging that his Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond the control of the Company, the Issuing House or the Participating Financial Institution, irrevocably agrees that if:
 - (i) the Company or MIH does not receive the applicant's Electronic Share Application;
 - (ii) data relating to the applicant's Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to the Company or MIH;

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

the applicant shall be deemed not to have made an Electronic Share Application and the applicant shall not claim whatsoever against the Company, MIH or the Participating Financial Institutions for the Shares applied for or for any compensation, loss or damage.

- (i) All particulars of the applicant in the records of the relevant Participating Financial Institution at the time he makes his Electronic Share Application shall be deemed to be true and correct and the Company, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (j) The applicant shall ensure that his personal particulars as recorded by both MCD and the relevant Participating Financial Institution are correct and identical. Otherwise, his Electronic Share Application is liable to be rejected. The applicant must inform MCD promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to his registered address last maintained with MCD.
- (k) By making and completing an Electronic Share Application, the applicant agrees that:
 - (i) in consideration of the Company agreeing to allow and accept the making of any Application for Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, his Electronic Share Application is irrevocable;
 - (ii) the Company, the Participating Financial Institutions, MCD and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to his Electronic Share Application to the Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;
 - (iii) notwithstanding the receipt of any payment by or on behalf of the Company, the acceptance of the offer made by the applicant to subscribe and purchase the Shares for which the applicant's Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the said Shares;
 - (iv) the applicant irrevocably authorises MCD to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Shares allotted or allocated to the applicant; and
 - (v) the Company agrees that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or Electronic Share Application Scheme and/or terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that the Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (l) The Directors of the Company reserve the right to require any successful applicant to appear in person at the registered office of MIH within fourteen(14) days of the date of the notice issued to him/her to ascertain the regularity or propriety of the Application. The Directors of the Company shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by the successful applicant for the purpose of complying with this provision.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (m) The Directors of the Company reserve the right to reject Applications which do not conform to these instructions.
- (n) Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:
 - AmBANK BERHAD;
 - AmFINANCE BERHAD;
 - BUMIPUTRA-COMMERCE BANK BERHAD (at selected branches in Klang Valley only);
 - HSBC BANK MALAYSIA BERHAD;
 - MALAYAN BANKING BERHAD;
 - MAYBAN FINANCE BERHAD;
 - OCBC BANK (MALAYSIA) BERHAD; or
 - STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).
- (o) A surcharge of RM2.50 per Electronic Share Application will be charged by the respective Participating Financial Institution.

15.10 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- (a) Applicant must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.
- (b) Applicant must have a CDS account.
- (c) Applicant is to apply for the Public Issue Share via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the Application are set out on Section 15.9 of the Terms and Conditions for Electronic Share Applications. Applicant is to enter at least the following information through the ATM where the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so:
 - ☒ Personal Identification Number (PIN).
 - ☒ Share Issue Number.
 - ☒ CDS Account Number.
 - ☒ Number of Shares applied for and/or the Ringgit Malaysia amount to be debited from the account.
 - ☒ Confirmation of several mandatory statements.

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