SALCON BERHAD
Company No. 593796-T
(Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FOURTEENTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT VICTORIAN BALLROOM, LEVEL 1, HOLIDAY VILLA HOTEL & CONFERENCE CENTRE, 9 JALAN SS12/1, 47500 SUBANG JAYA, SELANGOR DARUL EHSAN, ON WEDNESDAY, 14 JUNE 2017 AT 10.30 A.M.

The Chairman invited questions from the floor.

Mr Hon Kah Sin ("Mr Hon"), a shareholder of the Company, complimented the Board and Management on the good performance achieved by the Group despite the challenging financial year. He went on to enquire on the following:-

(i) The reason for the decrease of the Group's revenue of approximately 20% for the financial year 2016 compared to the previous financial year;

(ii) In relation to the property project in Selayang – res280, the number of unsold units and the strategy undertaken by Management in selling them;

(iii) The details for the cash and deposits placed with licensed banks outside Malaysia and the utilisation plan for the substantial amount of cash and cash equivalents in the Group, which amounted to approximately RM215 million; and

(iv) The engineering and construction division contributed to 84% of the total consolidated revenue of the Group for the financial year 2016 – the Board's future plan for the engineering and construction division and, moving forward, whether it would still remain as the Group's largest revenue contributor.

Dato' Leong Kok Wah ("Dato' Leong"), an Executive Director of the Company, addressed the above enquiries on behalf of the Board as follows:-

(i) The decrease of the Group's revenue was mainly due to the completion of various water projects in the Group and the adoption of equity accounting method on the existing major construction projects which are the Langat 2 Water Treatment Plant and the Langat Centralized Sewerage Treatment Plant projects. The revenue contributions from these two new projects were not recognised during the financial year 2016.

(ii) The res280 project was expected to be completed and handed over to the buyers in October 2017. As of to date, 68% of the total units had been sold while approximately 80 units remained unsold. With the completion of the project, the public would gain confidence on the said project as potential buyers would now be able to view the completed property. In addition, the Selayang Hospital, which was located opposite the said property, was expected to create a high demand for accommodation from its large pool of medical staff. Some doctors and nurses had shown interests in the property by visiting the showroom. Management was in the midst of engaging and negotiating with the hospital to take up some of the available units.

(iii) The res280 project had yet to contribute financially to the property development division in the financial year 2016 due to the Group's adoption of the Malaysian Financial Reporting Standards (MFRS), which allows the Company to recognise revenue and profits only upon completion of a development. Nevertheless, the Group looked forward to res280's maiden contribution to the property development division in the financial year 2017 when it is completed.

(iv) The Group's cash and deposits placed outside Malaysia were kept with the financial institutions in Hong Kong in Renminbi, United States dollars and Singapore dollars. The Group could benefit from the depreciation of Ringgit Malaysia by keeping cash in foreign currencies. The large amount of cash in the Group was mainly from the disposal of the Group's China assets in 2013. The Board adopted a cautious approach and would only invest in businesses which fit the Group's investment strategies and are synergistic to the Group's business. Currently, the Board did not have any major acquisition plan or project which required large amounts of cash. The Group would remain conservative and selective in choosing its investments.

(v) With the diversified business model adopted by the Group, the Board expected that the contribution level from the engineering and construction division would decrease over time when other new divisions started to contribute financially to the Group. However, the Group would still focus on the engineering and construction division and was currently actively tendering for various projects. The existing Langat 2 Water Treatment Plant and Langat Centralised Sewerage Treatment Plant projects remained the largest construction projects within the Group.

Mr Alfred Siew Heng Kit ("Mr Alfred"), a shareholder of the Company, enquired on the following:-

(i) The future direction of the Group and raised his concern on the level of diversification of the Group's business compared to the size of the Group;

(ii) The outlook and prospect for the new divisions in the Group;

(iii) The progress of the Langat 2 Water Treatment Plant project;

(iv) Whether the Board would continue to undertake share buy-back exercises and distribute share dividend in the coming years;

(v) Whether the Board would undertake bonus issue exercise to reward the shareholders;

(vi) The Board's effort in maintaining relationship with institutional investors;

(vii) The details of the proposed property development with a joint venture partner i.e. Eco World International Bhd ("Eco World"); and

(viii) The details for the current borrowings in the Group and whether the Board had identified an optimum gearing level for the Group.

Dato' Leong addressed the above enquiries as follows:-

(i) Due to the volatility of the water and wastewater industry in Malaysia and the intense competition faced in tendering for new projects, the Group had to adopt a diversified business model to ensure its sustainability and to generate recurring income. The Board would need to be more proactive in exploring new opportunities for the Group in this constantly changing business environment.

(ii) The outlook and prospect for the new business divisions of the Group were highlighted as follows:-

Transportation

The transportation division operated by Eco Coach & Tours (M) Sdn Bhd ("Eco Coach") had maintained a steady performance. Eco Coach currently had six multinational company customers, such as Intel, Western Digital Media, Paramit and B Braun Medical.

Technology Services

- The Group started its investment in Volksbahn Technologies Sdn Bhd ("VBT") in 2014. VBT had a concession to build and maintain 108km of fibre optic cables along the monorail and light rail transit system ("LRT") for Syarikat Prasarana Negara Bhd for up to 15 years. At the moment, VBT had completed the laying of about 70km fibre optic cables on the existing LRT line. VBT had signed up with major telecommunication companies, i.e. Celcom, U Mobile, Digi, Webe and Maxis, to provide mobile backhaul services bundled with site rental for shared infrastructure.

- During the financial year 2016, VBT also signed a Master Services Agreement with Edotco Malaysia Sdn Bhd, one of Asia's biggest regional telecommunication infrastructure service providers under the Axiata group, to fiberise their cell sites, located between 2km and 5km radius from the fibre optic backbone along the LRT and monorail lines in Klang Valley.

- Moving forward, the Group intends to look into new revenue streams from retail businesses and facilitate mobile convergence for operators through its fibre optic backbone.

China E-commerce Tourism

- The Group had, via its wholly-owned subsidiary, Beijing Xinlian Yitong Technology Co Ltd, ventured into China e-commerce tourism in collaboration with Alibaba group unit, Alitrip, as the exclusive operator of the online tourism and marketing platform, namely Malaysia Tourism Pavilion ("MTP"). The MTP was endorsed by Tourism Malaysia and through that channel, the Group would be able to provide an excellent platform for Malaysian travel trade players to get a bigger slice of the Chinese outbound market.

- The Chinese population, especially its burgeoning middle-class, has an increasing appetite for travel, with more than 300 million Chinese travelling abroad in the previous year, spending over RM840 billion worldwide. The Group targets to reach these China tourists to market outbound and inbound tourism services as well as food and beverage vouchers and souvenirs.

(iii) The Board would continue to undertake share buy-back exercises that would help to stabilise the Company's share price. The Board had proposed a distribution of share dividend in respect of the financial year 2016, which translated into a dividend yield of 5%, to reward the shareholders. Going forward, the Board would consider distributing treasury shares as one of the ways to reward shareholders.

(iv) The Board would look into Mr Alfred's suggestion on bonus issue and seek advice on the same from the advisers, if the Company decides to carry out the same.

(v) The construction of the Langat 2 Water Treatment Plant project had encountered a slight delay from the schedule. However, the Group had overcome the major issues and would continue to engage with the authorities. The Group was now on track to complete the project.

(vi) The Board had always placed importance in enhancing relationship with the institutional investors. Management had met with the institutional investors regularly to share the Group's direction with them. The institutional investors had endorsed positively the diversified business model adopted by the Group, especially on the prospect of the new divisions, i.e the e-commerce and technology services. At the moment, institutional investors held approximately 22% of Salcon shares.

(vii) In view of the stiffer regulations imposed on foreign investors by the Australian Government, the Company had decided to partner with Eco World to develop a prime piece of land located at Melbourne, Australia, with an estimated Gross Development Value of AUD220 million. As the Group was new in the property development industry in Australia, the collaboration with Eco World will allow the Group to benefit from the reputation, strength and experience of Eco World's Group in the international property market. Currently, Eco World's group had four ongoing property development projects, of which three projects were in London, United Kingdom, and one project was in Sydney, Australia.

(viii) As at 31 December 2016, the Group's gearing ratio remained healthy at 0.15 with total borrowings of RM73.1 million. The said borrowings were for the Group's property project in Johor Bahru. The Board acknowledged that an appropriate level of borrowing could be advantageous to the Company, especially when interest rate was low.

Mr Ho Yueh Weng ("Mr Ho"), a shareholder of the Company, raised the following enquiries:-

(i) The Group recorded a loss before tax of RM11.687 million and a profit after tax of RM21.358 million, which were arrived at after taking into account the profits from discontinued operations in China. To this, Mr Ho enquired on the sustainability of the Group's business;

(ii) Whether the Group had any plan to dispose its concession in Vietnam, following the disposal of its concessions in China;

(iii) The reasons for the following hike in the Group's expenses:-

Expenses	**2016 (RM)**	**2015 (RM)**
Key management personnel compensation	12.134 million	6.713 million
Personnel expenses (including key management personnel) particularly the wages, salaries and others	48.299 million	42.982 million

and whether the directors and staff of the Group had been rewarded fairly.

Dato' Leong and Mr Law Woo Hock, the Chief Financial Officer of the Company, addressed the above enquiries as follows:-

(i) In order to ensure its sustainability, the Group had to seek suitable opportunities and collaborate with reliable partners in the water and wastewater markets, both locally and overseas, such as Sri Lanka, Vietnam, Indonesia and Myanmar. Currently, the Group was tendering for RM2.3 billion worth of water and wastewater projects in Malaysia and overseas, and would continue to tender for projects actively. In addition, the Group had also diversified its business model to reduce the Group's sole reliance on the volatile water and wastewater markets to sustain the Group's long-term growth plan.

(ii) The Group had no plan to dispose of its concession in Vietnam since the said concession had been contributing consistent recurring income to the Group and the concession period was due to expiring in the next two to three years.

(iii) The increase of the Group's personnel expenses and key management personnel compensation was mainly due to the additional wages incurred by the new subsidiaries and some incentives reward for the performing subsidiaries.

(iv) The Company had adopted a conservative approach in Directors' remuneration and the existing Directors' remuneration package of the Company was below the market rate.

Mr Alfred enquired on whether the Company had any plan to undertake private placement exercises with the proposed resolution on authority to allot shares.

Dato' Leong informed that the Company did not have any plan to undertake private placement exercises in the near future. However, the proposed shareholders' mandate should be put in place in case there is a need for allotment of shares for any unforeseen circumstances.