

**PROFORMA CONSOLIDATED BALANCE SHEETS OF THE SALCON GROUP AS AT 31 DECEMBER 2006 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

(Prepared for inclusion in this Abridged Prospectus)



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Wisma KPMG  
Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur, Malaysia

Telephone +60 (3) 2095 3388  
Fax +60 (3) 2095 0971  
Internet [www.kpmg.com.my](http://www.kpmg.com.my)

The Board of Directors  
Salcon Berhad  
15th Floor, Menara Summit  
Persiaran Kewajipan, USJ 1  
47600 UEP Subang Jaya  
Selangor Darul Ehsan

18 April 2007

Dear Sirs

**Salcon Berhad**  
**Reporting accountants' letter on the proforma consolidated balance sheets**  
**as at 31 December 2006**

We have reviewed the presentation of the proforma consolidated balance sheets of Salcon Berhad and its subsidiary companies ("Salcon Group") as at 31 December 2006 which have been prepared for illustrative purposes only, for which the Directors are solely responsible, as set out in the attachment, for submission to the Securities Commission ("SC") in connection with the rights issue with detachable warrants on the basis of two (2) rights shares with one (1) warrant for every two (2) existing ordinary shares of RM0.50 each and should not be relied on for any other purposes.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated balance sheets to the audited financial statements of Salcon and its subsidiaries as at 31 December 2006 and considering the evidence supporting the adjustments, and discussing the proforma consolidated balance sheets with the Directors of Salcon.

In our opinion,

- i) the proforma consolidated balance sheets have been properly prepared from the audited financial statements of Salcon and its subsidiaries which were prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board;
- ii) such basis is consistent with the accounting policies adopted by Salcon Group;
- iii) each material adjustment made to the information used in the preparation of the proforma consolidated balance sheets is appropriate for the purposes of preparing the proforma consolidated balance sheets; and



iv) the proforma consolidated balance sheets have been properly prepared on the basis of assumptions stated in the attachment.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Hew Lee Lam Sang'.

**KPMG**  
Firm No. AF 0758  
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Hew Lee Lam Sang'.

**Hew Lee Lam Sang**  
Partner  
Approval Number: 1862/10/07(J)



**SALCON BERHAD (“Salcon”)  
AND ITS SUBSIDIARIES (“Salcon Group”)**

*NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS  
FOR THE YEAR ENDED 31 DECEMBER 2006*

**1. Basis of preparation of proforma consolidated balance sheets**

- 1.1 The proforma consolidated balance sheets have been prepared based on the audited consolidated financial statements of Salcon Group for the financial year ended 31 December 2006 and using the bases and the accounting principles consistent with those adopted in the audited consolidated balance sheets, after giving effect to the proforma adjustments considered appropriate.
- 1.2 The proforma consolidated balance sheets have been prepared for illustrative purposes only and, because of their nature, may not give a true picture of the actual financial position, results of operations and cash flows of the Salcon Group.
- 1.3 The statutory audited financial statements of Salcon Group for the financial year ended 31 December 2006 were prepared in accordance with applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board.
- 1.4 Proforma I – Rights issue with warrants

Proforma I incorporates the effects of the following transactions:

The rights issue with warrants involves the issuance of up to 212,045,402 rights shares together with up to 106,022,701 free detachable warrants at an issue price of RM0.57 per rights share on a renounceable basis of two (2) rights shares with one (1) free detachable warrant for every two (2) existing Ordinary Shares of Salcon.

The rights issue with warrants is expected to raise gross proceeds of RM120,865,879 based on the issue price of RM0.57 per rights share and it is utilised as follows:

	<b>RM’000</b>
Repayment of bank borrowings	19,000
Working capital for sewage system project	55,000
General working capital for the Salcon Group	44,866
Estimated expenses relating to the rights issue with warrants	2,000
	120,866

**1.5 Proforma II – Full exercise of warrants**

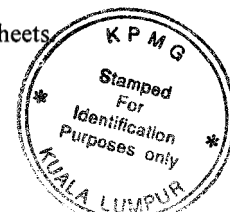
Proforma II incorporates the effects Proforma I and the following transactions:

The 106,022,701 warrants to be issued in conjunction with the rights issue with warrants to the entitled shareholders of Salcon at RM0.75 per Salcon share for a total cash proceeds of RM79,517,025.

**SALCON BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 DECEMBER 2006**

	Audited as at	Proforma	
	31 December 2006	I	II
	RM'000	RM'000	RM'000
<b>Assets</b>			
Property, plant and equipment	120,492	120,492	120,492
Goodwill	11,239	11,239	11,239
Prepaid lease payments	15,423	15,423	15,423
Investment property	2,318	2,318	2,318
Investments in associates	55,440	55,440	55,440
Other investments	11,079	11,079	11,079
Deferred tax assets	6,421	6,421	6,421
<b>Total non-current assets</b>	<u>222,412</u>	<u>222,412</u>	<u>222,412</u>
Prepaid lease payments	527	527	527
Receivables, deposits and prepayments	87,208	87,208	87,208
Inventories	1,457	1,457	1,457
Current tax assets	2,089	2,089	2,089
Cash and cash equivalents	22,196	122,061	201,579
<b>Total current assets</b>	<u>113,477</u>	<u>213,342</u>	<u>292,860</u>
<b>Total assets</b>	<u><u>335,889</u></u>	<u><u>435,754</u></u>	<u><u>515,272</u></u>
<b>Equity</b>			
Share capital	106,023	212,045	265,057
Reserves	19,005	31,848	58,354
Accumulated losses	(12,281)	(12,281)	(12,281)
<b>Total equity attributable to shareholders of the Company</b>	<u>112,747</u>	<u>231,612</u>	<u>311,130</u>
<b>Minority interest</b>	<u>37,735</u>	<u>37,735</u>	<u>37,735</u>
<b>Total equity</b>	<u>150,482</u>	<u>269,347</u>	<u>348,865</u>
<b>Liabilities</b>			
Loans and borrowings	79,625	79,625	79,625
<b>Total non-current liabilities</b>	<u>79,625</u>	<u>79,625</u>	<u>79,625</u>
Payables and accruals	78,311	78,311	78,311
Loans and borrowings	26,806	7,806	7,806
Taxation	461	461	461
Dividend payable	204	204	204
<b>Total current liabilities</b>	<u>105,782</u>	<u>86,782</u>	<u>86,782</u>
<b>Total liabilities</b>	<u>185,407</u>	<u>166,407</u>	<u>166,407</u>
<b>Total equity and liabilities</b>	<u><u>335,889</u></u>	<u><u>435,754</u></u>	<u><u>515,272</u></u>
<b>Net Tangible Assets ("NTA")</b>	<u>78,890</u>	<u>197,755</u>	<u>277,273</u>
<b>NTA per share (sen)</b>	<u>37.20</u>	<u>46.63</u>	<u>52.30</u>

The accompanying notes form an integral part of the Proforma Consolidated Balance Sheets.



**SALCON BERHAD****NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets of the Group which have been prepared for illustrative purposes only are based on the audited financial statements of the Group as at 31 December 2006.

**1. Proforma I – Rights issue with warrants**

Proforma I incorporates the effects of the following transactions:

The rights issue with warrants involves the issuance of up to 212,045,402 rights shares together with up to 106,022,701 free detachable warrants at an issue price of RM0.57 per rights share on a renounceable basis of two (2) rights shares with one (1) free detachable warrant for every two (2) existing Ordinary Shares of Salcon.

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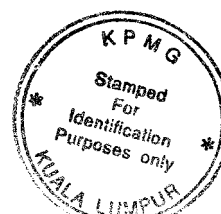
	<b>RM'000</b>
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Working capital for sewage system project	55,000
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Estimated expenses relating to the rights issue with warrants	2,000
	<u>120,866</u>

**2. Proforma II – Full exercise of warrants**

Proforma II incorporates the effects Proforma I and the following transactions:

The 106,022,701 warrants to be issued in conjunction with the rights issue with warrants to the entitled shareholders of Salcon at RM0.75 per Salcon share for a total cash proceeds of RM79,517,025.

3. The Proforma Consolidated Balance Sheets of the Group have been prepared based on the accounting principles and bases consistent with those normally adopted by the Group in the preparation of the consolidated financial statements for the financial year ended 31 December 2006.



**DIRECTORS' REPORT**

(Prepared for inclusion in this Abridged Prospectus)



**Salcon Berhad (593796-T)**

15th Floor, Menara Summit  
Persiaran Kewajipan, USJ 1  
47600 UEP Subang Jaya  
Selangor Darul Ehsan  
Malaysia

**POSTAL ADDRESS**  
PO Box 3015  
47509 UEP Subang Jaya  
Selangor Darul Ehsan  
Malaysia

**GENERAL** 603 8024 8822  
**FAX** 603 8024 8811  
**WEBSITE** www.salcon.com.my

Registered Office:  
15<sup>th</sup> Floor Menara Summit  
Persiaran Kewajipan, USJ 1  
47600 UEP Subang Jaya  
Selangor Darul Ehsan

18 April 2007

To: The Shareholders of Salcon Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Salcon Berhad ("Salcon" or the "Company"), I report after due inquiry that during the period from 31 December 2006 (being the date to which the last audited financial statements of the Company and its subsidiary companies have been made up) to the date hereof, being a date not earlier than fourteen (14) days before the issue of this Abridged Prospectus, that:-

- (a) the business of the Company and its subsidiaries, in the opinion of the Directors, has been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiaries which have adversely affected the trading or the value of the assets of the Company or any of its subsidiaries;
- (c) the current assets of the Company and its subsidiaries that appear in the books at values are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 10.3 of this Abridged Prospectus no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiaries;
- (e) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which the Directors are aware of, since the last audited financial statements of the Company and its subsidiaries; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company and its subsidiaries since the last audited financial statements of the Company and its subsidiaries.

Yours faithfully,  
For and on behalf of the Board of Directors  
**SALCON BERHAD**

Jagjit Singh a/l Tara Singh  
Executive Director

**TERMS AND CONDITIONS OF THE WARRANTS**  
(As extracted from the Deed Poll dated 12 April 2007)

The Warrants to be issued have been constituted by a Deed Poll executed by the Company. An extract of the Deed Poll which sets forth the terms and conditions of the Warrants is set out below. Unless the context otherwise requires, all definitions herein shall have the same meaning described to the in the Deed Poll. You should note that the words, terms and expressions contained in the extract below may differ from the meaning and context in which they are used in other sections of this Abridged Prospectus. You are advised to read the entire Deed Poll, a copy of which is available for inspection during the normal working hours from Monday to Friday (except public holidays) at our registered office.

**1. DEFINITIONS**

- (a) Terms not specifically defined herein shall, unless the context otherwise requires, have the same meanings as defined in the Deed Poll when used in these Conditions.
- (b) A reference to the singular includes the plural and vice versa and a gender includes the other gender.
- (c) The headings in these Conditions are inserted for convenience of reference and will not affect the construction of the same.
- (d) A reference to a statute includes regulations under it and consolidations, amendments, re-enactments or replacements of any of them.
- (e) In giving any certificate or making any adjustment, the Auditors and the Approved Adviser are deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision is conclusive and binding on the Company and all Warrant Holders.

**2. EXERCISE OF EXERCISE RIGHTS**

**2.1 Exercise Rights**

Upon and subject to the Conditions, the Warrant Holders will have the right to exercise the Exercise Rights at any time during the Exercise Period upon payment of the Exercise Price in cash to subscribe for the whole or part of the New Share in respect of the Exercise Rights represented by the Warrants being exercised. Any Exercise Rights, which have not then been exercised, upon the expiry of the Exercise Period, will lapse and become null and void.

**2.2 Exercise Form and Payment of Exercise Money**

The Exercise Form must be in such form as provided by the Company and presently in the form set out in the Second Schedule (Part II) of the Deed Poll. In order to exercise the Exercise Rights represented by any Warrant, a Warrant Holder, must complete and sign the Exercise Form (which will be made available by the Company in the manner as may be stipulated by Bursa Securities) and deliver the Exercise Form to the Registrar together with a remittance in Ringgit Malaysia by banker's draft or cashier's order drawn on a bank operating in Malaysia or money order or postal order made in favour of "Salcon Warrants Account" crossed "A/C Payee Only" for the full amount of the Exercise Money payable in respect of the Warrants, Provided Always that in every case:

- (a) compliance must also be made with the exchange control of Bank Negara Malaysia or other statutory requirement for the time being applicable;



- (b) additional payment for all fees, stamp duty and taxes payable under the *Stamp Act, 1949* (if any) for the issue of the New Shares, unless the Company is obliged to make such payment under the Deed Poll or otherwise required by Bursa Securities, is to be remitted to the Registrar by way of banker's draft or cashier's order drawn on a bank operating in Malaysia or by way of money order or postal order issued by a post office in Malaysia;
- (c) the Warrants are or have been, at the date of delivery of the Exercise Form to the Registrar, designated as "free securities" in accordance with the provisions of the Rules;
- (d) such other evidence (if any) as the Registrar may require to determine the due execution of the Exercise Form by or on behalf of the Warrant Holder, is furnished; and
- (e) the Registrar must within seven (7) days from the date of allotment of the New Shares pursuant to the exercise of the Warrants deposit the same into the account maintained by the Company.

If any Conditions relating to the exercise of any Warrants have not been complied with under any Conditions, then all monies paid and all documents delivered to the Registrar will be returned to the exercising Warrant Holder by registered post at the risk of the Warrant Holder by the seventh (7<sup>th</sup>) day following the date of the notice as referred to in Clause 3.1 of the First Schedule (or, if earlier, the last day of the Exercise Period).

### **2.3 Allotment and Issuance of New Ordinary Shares**

- 2.3.1 Within eight (8) Market Days of the Exercise Date, the Company will or cause and procure the Registrar:
  - (a) to issue and allot the New Shares to the relevant Warrant Holders;
  - (b) to despatch the notices of allotment to the relevant Warrant Holders by way of ordinary post at their own risk; and
  - (c) to notify Bursa Depository of the names of the exercising Warrant Holders together with such particulars as may be required by Bursa Depository for the purpose of making appropriate entries in the Securities Account of the respective Warrant Holder, and must deliver to Bursa Depository the appropriate scrips (in such denominations as may be specified by Bursa Depository) registered in the name of Bursa Depository or its nominee company. No share certificates will be issued to the Warrant Holders.
- 2.3.2 New Shares to be issued by the Company upon exercise of the Exercise Rights attached to the Warrants will rank *pari passu* in all respects with the existing Shares save and except that the New Shares shall not be entitled to any dividends that may be declared prior to the date of exercise of the Exercise Rights nor shall the New Shares be entitled to any distribution or entitlements for which the Book Closure Date falls before the date of exercise of the Exercise Rights.
- 2.3.3 In respect of each Warrant in which Exercise Rights have been exercised, the Company is to instruct and/or cause and procure the Registrar to instruct, in accordance with the provisions of the Rules, Bursa Depository to debit the appropriate number of Warrants in which Exercise Rights have been exercised from the Securities Account of such Warrant Holder.
- 2.3.4 The Company will use all reasonable endeavours to obtain approval for quotation and permission to deal from Bursa Securities for all the New Shares arising from the exercise of the Exercise Rights represented by any Warrant.



### **3. ADJUSTMENT OF EXERCISE PRICE AND EXERCISE RIGHTS**

The Exercise Price of the Shares to which a Warrant Holder is entitled to subscribe will from time to time be adjusted by the Directors in consultation with the Approved Adviser or certified by the Auditors in accordance with the provisions as contained in the Memorandum, which is deemed to form part of these Conditions.

### **4. RESTRICTIONS TO PROTECT EXERCISE RIGHTS**

- 4.1 As from the date of issue of the Warrants and, as long as any of the Exercise Rights remain exercisable:
- 4.1.1 the Company must not, unless it gives rise to an adjustment as provided in the Memorandum, make any distribution out of its capital;
  - 4.1.2 the Company must keep available free from pre-emptive or other rights parts of its authorised but unissued share capital to satisfy in full all Exercise Rights for the time being outstanding;
  - 4.1.3 the Company will not, if and so long as the share capital of the Company is divided into Shares of more than one class, in any way modify the rights attached to the Shares as a class or attach any special restrictions to the same save as provided in the Conditions and in this Deed Poll; and
  - 4.1.4 the Company must not create or permit to issue any Shares which, as regards to dividends, voting or capital, has rights more favourable than those attached to the New Shares. However, nothing in this paragraph 3.1.4 will prevent the issue of shares to officers, including directors, if applicable, or employees of the Company or of any of its subsidiaries pursuant to purchase or option schemes approved by the Shareholders in general meetings.

### **5. WINDING UP, COMPROMISE OR ARRANGEMENT AND AMALGAMATION**

#### **5.1 Winding Up, Compromise or Arrangement**

- 5.1.1 As long as any of the Exercise Rights remain exercisable, if a resolution has been passed for a members' voluntary winding up or where there is a compromise or arrangement for the purpose of or in connection with a scheme of arrangement between the Company and its shareholders and/or creditors then :-
- (i) if such winding up or scheme of arrangement is one in which the Warrant Holders, or some person designated by them for such purpose by Special Resolution, are to be a party, the terms of such winding up or scheme of arrangement are binding on all the Warrant Holders;

- (ii) in a voluntary winding up or compromise or arrangement in any other case, every Warrant Holder is entitled upon and subject to the Conditions at any time, within six (6) weeks after the passing of such resolution for a members voluntary winding-up of the Company or within six (6) weeks from the last approval being granted for the compromise or arrangement, by irrevocable surrender of his Warrants to the Company by submitting the Exercise Form(s) duly completed, authorising the debiting of his Warrants, together with payment of the relevant Exercise Price to elect, be treated as if he had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the Exercise Rights represented by such Warrants to the extent specified in the Exercise Form(s) and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company or the Company, as the case may be, must give effect to such election accordingly and all Exercise Rights, which have not been exercised within the above six (6) weeks, will lapse and the Warrants will cease to be valid for any purpose.

## 5.2 Amalgamation

5.2.1 In the event of any consolidation, amalgamation or merger of the Company with any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation or a consolidation, amalgamation or merger pursuant to Condition 4.1.1(i) above) or in the event of any sale or transfer of all or substantially all of the assets of the Company, the Company:

- (i) must notify the Warrant Holders within fourteen (14) days of such event in accordance with Condition 9 below;
- (ii) cause the corporation resulting from or surviving such consolidation, amalgamation or merger or the corporation which have acquired such assets, as the case may be, to execute such instruments or other documents or assurances as may be necessary to legally ensure that the remaining Warrant Holders will have the right (during the Exercise Period) to exercise such Warrant then remaining unexercised and to be issued such class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of New Shares which would have become liable to be issued upon exercise of such Warrant immediately prior to such consolidation, amalgamation, merger or sale, failing which such fair compensation as certified by an Approved Adviser or an Auditor,

and the above provisions will apply in the same way to any subsequent consolidations, amalgamations, mergers, sales or transfers.

5.2.2 If it is a party to any transaction referred to in Condition 4.2.1 above in which the Company is not the continuing corporation, the Company shall use its best endeavours to obtain all consents which may be necessary or appropriate under the laws of Malaysia to enable the new corporation to give effect to all rights and obligation created under the Warrants.

## 6. FURTHER ISSUES/GENERAL OFFER

6.1 Subject to the Conditions, the Company is at liberty to issue Shares to Shareholders either for cash or as a bonus distribution and further Exercise Rights upon such terms and conditions as the Company deems fit but the Warrant Holders will not have any participating rights in such issue unless otherwise resolved by the Company in a general meeting.

- 6.2 If any general offer for the Shares of the Company is made under the Malaysian Code on Take-over and Mergers, 1998 to the shareholders of the Company before the expiry of the Exercise Period, the Company is at liberty (but is not obliged) to procure a like offer to be made to the Warrant Holders as if their rights to subscribe for Shares had been exercised the day immediately preceding the Book Closure Date of such offer or invitation on the basis then applicable.

## 7. MEETINGS OF WARRANT HOLDERS, MODIFICATIONS AND WAIVER

- 7.1 Warrant Holders holding not less than ten percent (10%) of the Exercise Rights for the time being outstanding may (with the consent of the Company) request for a meeting of Warrant Holders to be held to consider any matter affecting their interests. The Company must by written request made in duplicate in the prescribed form and in accordance with the Rules inform Bursa Depository of the date of the meeting and request Bursa Depository to prepare the Record of Depositors to whom notices of the meeting are to be given by the Company. Such Record of Depositors will be the final record of all Depositors who are deemed to be the Warrant Holders, eligible to be present and vote at such meetings.
- 7.2 In addition to but not in derogation of clause 2 of the Deed Poll, all or any of the rights for the time being attached to the Warrants (other than the Exercise Price or number of Warrants or the formulae for the adjustment of the Exercise Price or number of Warrants or other than as specifically provided in the Memorandum) may be altered or abrogated by the Company from time to time (whether or not the Company is being wound up) and the sanction of a Special Resolution passed at a meeting of the Warrant Holders is sufficient to effect such alteration or abrogation. Any such modification is however subject to the approval of the relevant authorities where applicable.
- 7.3 All the provisions of the Articles of Association for the time being of the Company as to general meetings of the Company will apply to any Warrant Holders' meeting, as if the Warrants were a class of shares forming part of the capital of the Company save that:-
- 7.3.1 such a meeting may only be convened by or with the consent of the Company;
- 7.3.2 not less than fourteen (14) days' notice of such meeting must be given;
- 7.3.3 a quorum for any such meeting must be at least two (2) Warrant Holders present in person or by proxy and holding or representing at least ten per centum (10%) of the Warrants remaining unexercised;
- 7.3.4 every Warrant Holder present in person or by proxy at any such meeting or adjourned meeting is entitled on a show of hands to one (1) vote and every Warrant Holder present in person or by proxy at any meeting is entitled on a poll to one (1) vote for each Warrant;
- 7.3.5 a poll can be demanded by the chairman of the meeting or by one (1) or more Warrant Holders present in person or by proxy and holding or representing at least ten per centum (10%) of the Warrants remaining unexercised or by the Company;
- 7.3.6 if such meeting is adjourned for want of a quorum, such adjournment is to such date and time not being less than ten (10) or more than twenty-eight (28) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting, those Warrant Holders who are then present in person or by proxy will form a quorum and at least seven (7) days' notice of any adjourned meeting is to be given in the same manner as for an original meeting and such notice must state those Warrant Holders who are then present at the adjourned meeting in person or by proxy will form a quorum;
- 7.3.7 a person nominated in writing by the Company (who need not be a Warrant Holder) will preside as chairman at every such meeting and, if no such person is nominated or if at any meeting no person nominated is present within fifteen (15) minutes after the time appointed for holding the meeting, the Warrant Holders present are to appoint any one of the Warrant Holders present to be chairman;



- 7.3.8 in case of equality of votes, the chairman will both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Warrant Holder or as a proxy;
- 7.3.9 the Company (through its representatives) and its financial and legal advisers are entitled to attend and speak at any meeting of the Warrant Holders;
- 7.3.10 the instrument appointing a proxy is the usual or common form, or such other form as the Company and Bursa Securities may approve, and is to be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney duly authorised and such instrument is deemed to confer authority to demand or join in demanding a poll. The proxies named in any instrument of proxy need not be a Warrant Holder;
- 7.3.11 the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the registered office of the Company, or at such other place (if any) specified by the Company not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, at which the person named in the instrument proposes to vote and in default, the instrument of proxy is not to be treated as valid unless the chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business; and
- 7.3.12 any resolutions passed at a meeting of the Warrant Holders duly convened and held in accordance with the Deed Poll are binding upon all the Warrant Holders whether present or not present at the meeting. The passing of any such resolution will be conclusive evidence that the circumstances justify the passing of the same, the intention being that it will rest with the meeting to determine without appeal whether or not the circumstances justify the passing of such resolution. Minutes of all resolutions and proceedings at every meeting are to be made and duly entered in books to be from time to time provided for that purpose by the Company and any such minutes if purporting to be signed by the chairman of the meeting at which such resolutions were passed or by the chairman of the next succeeding meeting of the Warrant Holders are deemed to be conclusive evidence until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made and signed as aforesaid will be deemed to have been duly convened and held and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.

## **8. REGISTER, TRANSFERS AND TRANSMISSION**

- 8.1 For the purposes of trading on Bursa Securities and subject to such conditions which Bursa Securities may impose from time to time, a board lot for the Warrants will be One Hundred (100) Warrants carrying the right to subscribe for One Hundred (100) New Shares.
- 8.2 Subject to the provisions of the Central Depositories Act and the Rules, no person is to be recognised by the Company as having title to a Warrant entitling the Warrant Holder to subscribe for a fractional part of a New Share or otherwise than as the sole holder of the entirety of such New Share.
- 8.3 The Company will or cause and procure the Registrar to keep and maintain a register of the details of the issue of the Warrants (as required pursuant to section 68A of the Act). In the event of any discrepancy whatsoever, the entries in the Record of Depositors will, unless otherwise determined, be deemed conclusive.
- 8.4 Each Warrant Holder will be deemed to remain the registered holder of the Warrant registered in his name until the name of the transferee is entered in the Record of Depositors. The Company will not be bound to take notice of any trust whether express, implied or constructive to which any Warrants may be subject, notwithstanding any such notice, whether express or otherwise of the right, title, interest or claim of any other person to or in such Warrants.

- 8.5 Any transfer of the Warrants is to be effected in the manner prescribed under the Central Depositories Act and the Rules.
- 8.6 Subject to the provisions of Central Depositories Act and the Rules, unless otherwise provided in this Deed Poll, the provisions of the Company's Articles of Association for the time being relating to the registration, transfer and transmission will apply to the registration, transfer and transmission of Warrants.

**9. STAMP DUTY OR FEES**

Any stamp duties or fees (subject to such maximum sum as may be imposed from time to time by the authorities) or charges, if any, in relation to the exercise of the Exercise Rights and/or the New Shares will be for the account of the relevant Warrant Holders.

**10. NOTICES**

Any notice may be given to any Warrant Holder personally or by sending the same by post in a prepaid letter addressed to such Warrant Holder at his registered address stated in the Record of Depositors or by advertisement of such notice in one (1) daily English language newspaper circulated in Malaysia.

**11. ANNUAL REPORTS AND ACCOUNTS**

The Company will, upon request in writing, send to each Warrant Holder a copy of the Company's most recent annual report and accounts together with all documents required by law to be annexed to the same.

**12. GOVERNING LAW AND JURISDICTION**

The Warrants and the Conditions are governed by and will be construed in accordance with, the laws of Malaysia. The Company and the Warrant Holders irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of Malaysia and waive any right to object to proceedings being brought in such courts.

**13. EXPIRY**

- 13.1 The Company shall send to each of the Warrant Holders a notice of expiry at least thirty (30) days prior to the Expiry Date and such notice is also to be advertised in one (1) English language daily newspaper circulating in Malaysia.
- 13.2 At the expiry of the Exercise Period, any Warrants which have not been exercised will lapse and cease to be valid and the Company is to, in accordance with the Rules, instruct Bursa Depository to debit the appropriate number of Warrants from the Securities Account of the relevant Warrant Holders. Such debiting is to be effected on the expiry of the Exercise Period. The Company will be entitled, at any time on or after the expiry of the Exercise Period, to demand that Bursa Depository deliver to the Company the certificate for the Warrants and thereafter to cancel or cause the cancellation of such certificate.

*Notes:*

*The attention of the Warrant Holders is drawn to Part IV, Division 2 of the Securities Commission Act, 1993 and Part II of the Malaysian Code on Take-over and Mergers, 1998 as amended or replaced from time to time.*

**PROVISIONS FOR ADJUSTMENT OF EXERCISE PRICE AND EXERCISE RIGHTS**

**1. DEFINITIONS**

Unless the context otherwise requires all words and expressions defined in the Deed Poll and the Conditions will have the same meanings when used in this Memorandum.

**2. ADJUSTMENT**

The Exercise Price and the number of Warrants in issue will from time to time be adjusted, calculated or determined by the directors of the Company in consultation with the Approved Adviser in accordance with the following provisions: -

- (i) If and wherever a Share by reason of any consolidation or subdivision or conversion will have a different par value, the Exercise Price will be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the number of Warrants will be adjusted by multiplying the existing number of Warrants held by the former par value and dividing the result by the revised par value. Each such adjustment will be effective from the close of business on the Market Day or such period as may be prescribed by Bursa Securities, immediately preceding the date on which the consolidation or subdivision or conversion becomes effective (being the date when the Shares are traded on Bursa Securities at the new par value).
- (ii) If and whenever the Company will make any issue of Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund), the Exercise Price must be adjusted by multiplying it by the following fraction:-

$$\frac{A}{A + B}$$

and the number of Warrants must be adjusted by multiplying the existing number of Warrants held by the following fraction:-

$$\frac{A + B}{A}$$

where:-

- A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue; and
- B = the aggregate number of Shares to be issued pursuant to any allotment to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve fund).

Each such adjustment will be effective on the (if appropriate, retroactively) day next following the Book Closure Date for such issue.

- (iii) (a) If and whenever the Company may make a Capital Distribution (as defined below) to Shareholders whether on a reduction of capital or otherwise (save and except any capital reduction involving the cancellation of capital which is lost or unrepresented by available assets); or
- (b) If and whenever the Company makes any offer or invitation to Shareholders where they may acquire or subscribe for Shares by way of rights; or
- (c) If and whenever the Company makes any offer or invitation to Shareholders by way of rights where they may acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares,

then and in respect of each such case, the Exercise Price must be adjusted by multiplying it by the following fraction:-

$$\frac{C - D}{C}$$

and in respect of the case referred to in sub-paragraph 2(iii)(b) above, the number of Warrants will be adjusted by multiplying the existing number of Warrants held by the following fraction:

$$\frac{C}{C - D^*}$$

where:-

- C = the market price of each Share as may be determined in accordance with any guideline or rule issued by the Securities Commission from time to time, if any, or if there is none, the Current Market Price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, at the price fixing date or failing which, immediately preceding the date of the announcement of the Book Closure Date of the Capital Distribution or, as the case may be, of the offer or invitation; and
- D = (aa) in the case of any offer or invitation to acquire or subscribe for Shares by way of rights or for securities convertible into Shares under this sub-paragraph 2(iii)(b) and 2(iii)(c) the value of rights attributable to one (1) Share (as defined below); or
- (bb) in the case of any other transaction falling within this sub-paragraph 2(iii) hereof, the fair market value, (as determined with the concurrence of the Auditors) by an Approved Adviser, of that portion of the Capital Distribution attributable to one (1) Share.

For the purpose of sub-paragraph (aa) of "D" above, the "value of the rights attributable to one (1) Share" must be calculated in accordance with the formula:

$$\frac{C - E}{F + 1}$$



where:-

- C = as C above;
- E = the subscription consideration for one (1) additional Share under the terms of such offer or invitation or subscription price of one (1) additional Share upon conversion of the convertible securities or exercise of such rights to acquire or subscribe for one (1) Share under the offer or invitation;
- F = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or such number of securities with rights to acquire or subscribe for one (1) additional Share; and
- D\* = the value of rights attributable to one (1) Share (as defined below);

For the purpose of definition D\* above, the “value of the rights attributable to one (1) Share” must be calculated in accordance with the formula: -

$$\frac{C - E^*}{F^* + 1}$$

where:-

- C = as C above;
- E\* = the subscription consideration for one (1) additional Share under the terms of such offer or invitation;
- F\* = the number of Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share; and

For the purposes of sub paragraph 2(iii) “**Capital Distribution**” must (without prejudice to the generality of the expression) include distributions in cash or specie or by way of issue of Shares (not falling under sub-paragraph 2(ii) above) or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund). Any dividend charged or provided for in the accounts pertaining to any period will (whenever paid and howsoever described) be deemed to be a Capital Distribution unless it is paid out of the aggregate of the net profits attributable to the Shareholders for the period for which such dividend is charged or provided for as shown in the audited consolidated profit and loss accounts of the Company.

Each such adjustment will be effective (if appropriate retroactively) from the day next following the Book Closure Date for such transactions.

- (iv) If and whenever the Company makes any allotment to its Shareholders provided in sub-paragraph 2(ii) and also makes any offer or invitation to its Shareholders as provided in sub-paragraph (b) or (c) of sub-paragraph 2(iii) and the Book Closure Date for the purposes of the allotments is the Book Closure Date for the purpose of the offer or invitation, the Exercise Price will be adjusted by multiplying it by the following fraction:-

$$\frac{(G \times C) + (H \times I)}{(G + H + B) \times C}$$

and in respect of each case referred to in these sub-paragraphs (ii) and (iii)(b), the number of Warrants held by each Warrant Holder will be adjusted by multiplying the existing number of Warrants held by the following fraction:-

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

where:-

- B = as B above;
- C = as C above;
- G = the aggregate number of issued and fully paid-up Shares in issue on the Book Closure Date;
- H = the aggregate number of new shares under an offer or invitation to acquire or subscribe for Shares by way of rights or under an offer or invitation by way of rights to acquire or subscribe for securities convertible into Shares or rights to acquire or subscribe for Shares, as the case may be;
- H\* = the aggregate number of new shares under an offer or invitation to acquire or subscribe for Shares by way of rights;
- I = the exercise consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares or the Exercise Price on conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share, as the case may be; and
- I\* = the subscription consideration of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares.

Each such adjustment will be effective (if appropriate retroactively) from the date next following the Book Closure Date for the above transactions.

- (v) If and whenever the Company makes any offer or invitation to its Shareholders to acquire or subscribe for Shares as provided in sub-paragraph 2(iii)(b) together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for Shares as provided in sub-paragraph 2(iii)(c), the Exercise Price must be adjusted by multiplying it by the following fraction: -

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J) \times C}$$

and the number of Warrants held by each Warrant Holder will be adjusted by multiplying the existing number of Warrants by the following fraction:-

$$\frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)}$$

where:-

C = as C above;

G = as G above;

H = as H above;

H\* = as H\* above;

I = as I above;

I\* = as I\* above;

J = the aggregate number of Shares to be issued to its Shareholders upon conversion of such securities or exercise of such rights to subscribe for Shares by the Shareholders; and

K = the exercise price on the conversion of such securities or exercise of such rights to acquire or subscribe for one (1) additional Share.

Each such adjustment will be effective (if appropriate retroactively) from the date next following the Book Closure Date for the above transactions.

- (vi) If and whenever the Company makes an allotment to its Shareholders as provided in sub-paragraph 2(ii) and also makes an offer or invitation to acquire or subscribe for Shares to its Shareholders as provided in sub-paragraph 2(iii)(b), together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in sub-paragraph 2(iii)(c), and the Book Closure Date for the purpose of allotment is also the Book Closure Date for the purpose of the offer or invitation the Exercise Price will be adjusted by multiplying it by the following fraction :-

$$\frac{(G \times C) + (H \times I) + (J \times K)}{(G + H + J + B) \times C}$$

and the number of Warrants held by each Warrant Holder will be adjusted by multiplying the existing number of Warrants held by the following fraction:-

$$\frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)}$$

where:-

B	=	as B above;
C	=	as C above;
G	=	as G above;
H	=	as H above;
H*	=	as H* above;
I	=	as I above;
I*	=	as I* above;
J	=	as J above;
K	=	as K above.

Each such adjustment will be effective (if appropriate retroactively) from the date next following the Book Closure Date for the above transactions.

- (vii) If and whenever (otherwise than pursuant to an offer or invitation by way of rights to all Shareholders and requiring an adjustment under sub-paragraphs 2(iii)(b), 2(iii)(c), 2(iv), 2(v) or 2(vi)), the Company will issue either any Shares or any securities convertible into Shares or any rights to acquire or subscribe for Shares and in any such case the Total Effective Consideration per Share (as defined below) is less than ninety per centum (90%) of the average of the Last Dealt Prices on the Market Days comprised in the period used (such period to be determined by the Company at the Company's absolute discretion) as a basis upon which the issue price of such Shares is determined ("**Average Price**"), or as the case may be the price at which the Shares will be issued upon conversion of such securities or exercise of such rights is determined, the Exercise Price will be adjusted by multiplying it by the following fraction:

$$\frac{L + M}{L + N}$$

where:

- L = the number of Shares in issue at the close of business on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the aggregate number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (exclusive of expenses); and
- N = the aggregate number of Shares so issued or in the case of securities convertible into Shares or rights to acquire or subscribe for Shares, the maximum number (assuming no adjustment of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purposes of sub-paragraph 2(vii), the "**Total Effective Consideration**" will be as determined by the Directors with the concurrence of an Approved Adviser and will be:

- (a) in the case of the issue of shares, the aggregate consideration receivable by the Company on payment in full for such shares;
- (b) in the case of the issue by the Company of securities wholly or partly convertible into Shares, the aggregate consideration receivable by the Company on payment in full for such securities or such part of the securities as is convertible together with the total amount receivable by the Company upon full conversion of such securities if any; or
- (c) in the case of the issue by the Company of securities with rights to acquire or subscribe for Shares, the aggregate consideration attributable to the issue of such rights together with the total amount receivable by the Company upon full exercise of such rights;

in each case without any deduction of any commissions, discounts or expenses paid allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration per share**” will be the Total Effective Consideration divided by the number of Shares issued as aforesaid or, in the case of securities convertible into Shares or securities with rights to acquire or subscribe for Shares, by the maximum number of Shares issuable on full conversion of such securities or exercise in full of such rights.

Each such adjustment will be effective immediately after the date on which such Shares, securities or rights are listed on Bursa Securities.

- (viii) The provisions of sub-paragraphs (ii), (iii), (iv), (v), (vi) and (vii) will not apply to:
  - (a) an issue of Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any other rights including the Exercise Rights of Warrant Holders issued by the Company under the Deed Poll; or
  - (b) an issue of Shares or other securities of the Company or rights to acquire or subscribe for Shares to officers, including executive directors, or employees of the Company or any of its subsidiaries pursuant to purchase or option schemes approved by the Shareholders in general meeting; or
  - (c) an issue by the Company or any of its subsidiaries of Shares or of securities convertible into or rights to acquire or subscribe for Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business; or
  - (d) a special issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares, required by any relevant authority to Bumiputra investors which is effected to comply with Government of Malaysia policy on capital participation in industry; or
  - (e) any proposal by the Company to purchase its own shares in accordance with the relevant laws governing such transaction; or
  - (f) any issue of Shares by the Company other than convertibles or rights, aggregate issues of which in any one financial year do not exceed ten per centum (10%) of the outstanding issued share capital of the Company; or
  - (g) any special issue of shares or other securities made by the Company in compliance with any regulations made by any relevant authority.



- (ix) The foregoing provisions on adjustment of the Exercise Price will be subject to the following:-
- (a) On any such adjustment the resultant Exercise Price will be rounded up to the nearest one (1) Sen and in no event will any adjustment (otherwise that upon the consolidation of Shares into Shares of larger par value) involve an increase in the Exercise Price or reduce the number of Warrant that a Warrant Holder is already entitled to;
  - (b) No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced in accordance with the foregoing provisions of this paragraph 2 would be less than one (1) Sen or less than one (1) Warrant and any adjustment that would otherwise be required then to be made will not be carried forward;
  - (c) No adjustment will be made in any event whereby the Exercise Price would be reduced to below the par value of a Share and in the event that any adjustment will result in the Exercise Price be reduced below the par value of a Share, then the adjustment will be made to the par value of a Share only.
- (x) Notwithstanding this Memorandum, in any circumstances where the Directors consider that the adjustment provided under the said provisions should not be made or should be calculated on a different basis or that an adjustment should be made notwithstanding that no such adjustment is required under the said provisions, the Company must appoint an Approved Adviser to consider whether for any reason whatsoever the adjustment to be made (or the absence of an adjustment) is inequitable and, if such Approved Adviser consider this to be the case, the adjustment will be modified or nullified or an adjustment made instead of no adjustment in such manner as may be considered by such Approved Adviser to be, in its opinion, appropriate.
- (xi) Whenever there is an adjustment to the number of Warrants the Company will as soon as practicable but not later than twenty (20) Market Days after the effective date of such adjustment, notify Bursa Depository of the names of the Warrant Holders whose Securities Accounts are to be credited with the additional Warrants together with such particulars as may be required by Bursa Depository for the purpose of making appropriate entries in the Securities Account of the respective Warrant Holder, and will deliver to Bursa Depository the appropriate scrips (in such denominations as may be specified by Bursa Depository) registered in the name of Bursa Depository or its nominee company. Thereafter, the Company will cause and procure the Registrar to despatch a notice of such allotment by registered post to such Warrant Holders.
- (xii) In any circumstances where the Directors, the Approved Adviser and the Auditors are unable to agree upon any adjustment required by this Memorandum, the Directors will refer the adjustment to the decision of another Approved Adviser acting as experts and not as arbitrators and whose decision as to such adjustment as may be appropriate in terms of this Memorandum will be final and conclusive and no certification by the Auditors will be necessary.
- (xiii) Any adjustments to the Exercise Price and/or any determination or adjustment of the number of additional Warrants to be issued otherwise than in accordance with this Memorandum, should be agreed to by the Company and the Auditors or the Approved Adviser.
- (xiv) Any additional Warrants which may be issued by the Company under this Memorandum will be part of the series of Warrants constituted by the Deed Poll, and will be issued subject to and with the benefit of the Deed Poll and on such terms and conditions as set out for the Warrants.

**3. NOTICE OF ADJUSTMENT**

3.1 Whenever there is an adjustment as provided in this Memorandum, the Company is to give notice to Warrant Holder within twenty-one (21) days of such adjustment in accordance with Condition 9 of the Second Schedule (Part III), stating that: -

- (i) the Exercise Price and/or the number of additional Warrants to be issued have been adjusted or determined as the case may be,
- (ii) the event giving rise to the adjustment or determination;
- (iii) the Exercise Price and/or the number of Warrants in effect prior to such adjustment or determination;
- (iv) the adjusted Exercise Price and/or the adjusted number of Warrant in issue; and
- (v) the effective date of such adjustment or determination.

3.2 At all times thereafter so long as any of the Warrants remain exercisable, the Company is to make available for inspection at its registered office a signed copy of the certificate of the Auditors or the Approved Adviser certifying the adjustment to the Exercise Price and/or the number of Warrants issued and certificate signed by a director of the Company setting out the brief particulars of the event giving rise to the adjustment, the Exercise Price and/or the adjusted number of Warrants in issue and the effective date of such adjustment. On request, a copy of such certificate is to be sent by the Company to any Warrant Holder.

**4. MODIFICATION OF RIGHTS ATTACHED TO SHARES OR LOAN CAPITAL**

If the Company will in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire or subscribe for Shares, the Company is to appoint an Approved Adviser to consider whether any adjustment is appropriate and if such Approved Adviser with the approval of the Directors is to certify that any adjustment is appropriate, the Exercise Price or the number of Warrants held by each Warrant Holder will be adjusted accordingly.

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**STATUTORY AND GENERAL INFORMATION**

**1. Share Capital**

- 1.1 Save for the new Shares to be issued pursuant to the exercise of the Warrants, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than 12 months from the date hereof.
- 1.2 As at the date of this Abridged Prospectus, we only have one (1) class of shares, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another.
- 1.3 No securities of our Company has been issued or agreed to be issued, as fully or partly paid-up otherwise than in cash, within the two (2) years immediately preceding the date of this Abridged Prospectus.
- 1.4 Save as disclosed below, no person has been, is or would be entitled to be given an option to subscribe for any securities in our Company:-
- (a) the subscribers of the Rights Shares who will be entitled to 106,022,701 free Warrants to be issued pursuant to the Rights Issue on the basis of one (1) free Warrant for every two (2) Rights Shares subscribed. The Warrants are exercisable into 106,022,701 new Salcon Shares at the exercise price of RM0.75 per Share during the exercise period of 7 years from the date of the first issuance of the Warrants; and
  - (b) the eligible employees and Directors of our Company who are eligible to participate in the ESOS of Salcon, whom have been or will be granted options to subscribe for new Shares pursuant to our ESOS involving up to 10% of our issued and paid-up share capital at any time during the exercise period of the ESOS of 5 years from the date of commencement of the ESOS on 31 October 2003 at the exercise price of RM1.87 per Share, or any other exercise price as may be fixed from time to time prior to the offer of the said options under the ESOS.

**2. Directors' Remuneration**

The provisions in our Articles of Association dealing with the remuneration of our 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 no include a commission on or 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 covering 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.
- (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.

**Article 132**

The remuneration of the Managing Director shall be subject to the terms of any agreement entered into in any particular case be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration may not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

**3. Material Contracts**

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of our business) which have been entered into by our Company or our subsidiary companies within two (2) years preceding 18 April 2007, being the latest practicable date prior to the registration of this Abridged Prospectus:-

- (a) Underwriting Agreement dated 5 April 2007 entered into between Salcon and MIMB in respect of the underwriting of up to 127,227,241 Rights Shares with Warrants for an underwriting commission of 2.0% of the value of Rights Shares with Warrants underwritten based on the issue price of RM0.57 per Rights Share; and
- (b) Deed Poll dated 12 April 2007 constituting the Warrants executed by Salcon.

**4. Material Litigation**

Save as disclosed below, we are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and our Directors are not aware of any proceedings pending or threatened against us or of any facts likely to give rise to any proceeding which may materially or adversely affect our position or businesses or title to or possession of any of the properties of our Company or our subsidiary companies:

- (a) Salcon Engineering Berhad 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 judgement 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 judgement by way of garnishee proceedings against Kuala Lumpur International Airport Berhad, the employer of the Consortium but was not successful.

Readybuilt had since been wound-up on 6 February 2004. Subsequently, SEB had filed its Proof of Debts to the Official Receiver on 28 June 2004 and had proceeded with the filing of its Supporting Affidavit on 1 March 2005 in accordance with Section 226(3) of the Companies Act, 1965 in order to obtain judgement. SEB had filed the Forms of Summons (General) dated 24 May 2005 with the Kuala Lumpur High Court on 25 May 2005 for leave to continue with SEB's civil suit against Readybuilt.

On 9 January 2006, the Kuala Lumpur High Court Judge was notified that the Winding-Up Court has allowed SEB's application for leave to proceed the suit against Readybuilt on 8 December 2005. On 6 March 2006, the Court was notified that the Order granting leave to proceed against Readybuilt is being obtained from the Court Registry. The official receiver attended the mention date on 3 October 2006 and the full trial date was on 7 December 2006. Matter has been fixed for decision on 8 January 2007.

No decision was given on 8 January 2007 by the High Court Judge as she required time to read the Written Submission and Authorities. Accordingly, the Court has fixed the matter for decision on 6 March 2007.

On 6 March 2007, the Court awarded judgment in favour of SEB against Readybuilt for the sum of RM2,171,508.89 together with the interest at 8% per annum on the judgment sum commencing from 28 October 1999 until the date of full settlement with costs to SEB.

- (b) SEB had on 20 February 2006 filed a Writ of Summons in Kuala Lumpur High Court ("KLHC") against Zamani bin Shamsuddin ("Zamani"), the sole proprietor of Fatih Enterprise Sdn. Bhd., for the sum of RM254,726.65 being the excess money mistakenly paid to Zamani by SEB.

As the Writ of Summons was not able to be served by way of ordinary service, SEB has thenceforth applied to KLHC for substituted service and extension of time for the Writ of Summons. Both applications have been granted by KLHC on 17 October 2006. The Writ of Summons has been served by way of substituted service on Zamani on 23 January 2007, 27 January 2007 and 29 January 2007 respectively. Zamani has failed to enter appearance. On 8 March 2007, SEB's solicitors has filed affidavit of service and judgment in default of appearance has been entered against Zamani. The sealed judgment in default is currently pending extraction from KLHC.

- (c) Advance Power Trade Sdn. Bhd. ("APT") had on 20 September 2005 commenced legal action in the Shah Alam High Court ("SAHC") against SEB seeking for court orders including:-
- (i) an injunction against SEB from enforcing a bank guarantee given by APT to SEB in connection with the supply of pumps and motors ("the Goods") by APT to SEB;
  - (ii) declaration that SEB has breached the warranty of the Goods and therefore the said bank guarantee should be cancelled; and
  - (iii) claim for the sum of RM178,398.00 for loss and damages suffered by APT by providing labour services towards the Goods.



SEB denied and defended the claim and further counterclaimed against APT that there existed defects in the Goods rendering the Goods unfit for the purposes the Goods were designed for and/or the life span of the same is much less than its original life span and the defects were caused by APT in breach of the terms in the Purchase Order and also being negligent themselves. APT's action in this matter has allegedly caused SEB to suffer monetary loss, reputation and goodwill. SEB also counterclaimed for a sum of RM1,222.86 against APT for taking into account of the realisation of the bank guarantee and for a replacement of the Goods of which the full costs and expenses are to be borne by APT.

Exchange of pleadings has been ongoing and SAHC has on 3 May 2006 set 27 March 2007 as the hearing date for Pre-Trial Case Management. As the judge was on leave on 27 March 2007, the Pre-Trial Case Management has been postponed to 8 October 2007.

- (d) Envitech Sdn. Bhd. ("Envitech") had commenced a legal suit in Shah Alam Session Court against Kulim Techno-City Sdn. Bhd. ("Kulim") for the sum of RM226,410.00 being the outstanding fee failed to be paid by Kulim to Envitech for the completed work of design and construction of two (2) intermediate sewage pumping stations inclusive of the ancillary pipe works for the proposed development on Lot 1001, Mukim Padang Cina, Kulim, Kedah.

Kulim has applied to transfer the matter to the Court in Kedah due to problem of the location. A hearing for the aforesaid application has been fixed on 13 December 2006. The decision of the hearing was fixed on 2 February 2007. However, due to the absence of the judge on 2 February 2007, the date for the decision has been postponed to 3 April 2007. The Court has dismissed Kulim's application to transfer the matter to Court in Kedah with costs. A hearing for Envitech's application for summary judgment has been fixed on 25 May 2007.

- (e) Envitech had commenced a legal suit against SAP Air Hitam Properties Sdn. Bhd. ("SAP") for the sum of RM370,564.00 being the outstanding payment failed to be paid by SAP to Envitech for the completed works of construction and completion of sewage force main and 3 nos. pump station and related works for the proposed residential, commercial and recreational development (phase 1) Lestari Perdana, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan. The writ of summons was filed in the High Court of Malaya at Shah Alam on 3 April 2007 which is currently pending extraction for service on SAP.

## 5. General

- 5.1 The nature of our Company's business and the names of the corporations which by virtue of Section 6 of the Act are deemed to be related to us, are set out in Appendix II of this Abridged Prospectus.
- 5.2 The estimated expenses of the Rights Issue amount to RM2.0 million, all of which will be borne by us. Included in the estimated expenses is the underwriting commission which is payable to the Underwriter at the rate of 2.0% of the value of Rights Shares underwritten by MIMB based on the issue price of RM0.57 per Rights Share.
- 5.3 Save for the underwriting commission in paragraph 5.2 above, no amount has been paid or has become payable within the 2 preceding years as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any share or debenture in our Company and our subsidiary companies and no Directors, promoters or expert are entitled to receive any such commission.

- 5.4 Save as disclosed in this Abridged Prospectus and to the best of the knowledge of our Directors, the financial performance, position and operations of our Group are not likely to be affected adversely and materially by any of the following:-
- (a) known trends, demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from our operations; and
  - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on our revenues or operating income.
- 5.5 Save as disclosed in this Abridged Prospectus, we are not aware of any material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our profits.
- 5.6 Save for the Service Contract dated 1 January 2003 with Mr. Jaggit Singh a/l Tara Singh, none of our Directors have any existing or proposed service contracts with our Company or our subsidiaries, excluding contracts expiring or terminable by the employing company without payment or compensation (other than statutory compensation) within one (1) year.

## 6. Consents

- 6.1 The written consents of the Adviser, Underwriter, Principal Bankers, Share Registrar, Company Secretaries and Solicitors to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn.
- 6.2 The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of their name, the Auditors' Report on our audited financial statements for the financial year ended 31 December 2006 and the Reporting Accountants' letter relating to our proforma consolidated balance sheets as at 31 December 2006 in the form and context in which they appear have been given before the issue of this Abridged Prospectus and have not subsequently been withdrawn.

## 7. Documents for Inspection

- 7.1 Copies of the following documents are available for inspection during normal working hours from Monday and Friday (except for public holidays) at our Registered Office at 15th Floor Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, for a period of 12 months from the date of this Abridged Prospectus:-
- (a) Memorandum and Articles of Association of our Company;
  - (b) Irrevocable undertaking letters from our shareholder as referred to in Section 11.1 of this Abridged Prospectus;
  - (c) the audited financial statements of our Group for the last two (2) financial years ended 31 December 2005 and 2006;
  - (d) our proforma consolidated balance sheets as at 31 December 2006 and the Reporting Accountants' letter thereon;

- (e) the letters of consent referred to under paragraph 6 of this appendix;
- (f) the Directors' Report referred to in Appendix V of this Abridged Prospectus;
- (g) the Circular to Shareholders of Salcon dated 15 March 2007;
- (h) the material contracts referred to in paragraph 3 of this appendix;
- (i) the relevant cause papers referred to in paragraph 4 of this appendix;
- (j) the Deed Poll; and
- (k) the Service Contract referred to in paragraph 5.6 of this appendix.

**8. Responsibility Statements**

- 8.1 This Abridged Prospectus has been seen and approved by our Directors 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 statement herein false or misleading.
- 8.2 MIMB, being the Adviser for the Rights Issue with Warrants, acknowledges that to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts about the Rights Issue with Warrants.

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