

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

Shareholders of Salcon Berhad (“**Salcon**” or the “**Company**”) should rely on their own evaluation to assess the merits and risks of the Proposed ESOS (as defined herein). If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

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**SALCON BERHAD**

(Company No.: 593796-T)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE: -**

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME INVOLVING THE ISSUANCE OF NEW ORDINARY SHARES OF RM0.50 EACH IN SALCON REPRESENTING UP TO FIFTEEN PER CENTUM (15%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SALCON TO ELIGIBLE DIRECTORS AND EMPLOYEES OF SALCON AND ITS SUBSIDIARY COMPANIES (“PROPOSED ESOS”)**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*



**MIMB INVESTMENT BANK BERHAD (10209-W)**

A Participating Organisation of Bursa Malaysia Securities Berhad

The Notice of the Extraordinary General Meeting (“**EGM**”) of Salcon which will be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2010 at 11.45 a.m., or immediately after the conclusion of the Company’s Seventh Annual General Meeting (which will be held at the same venue on the same day at 10.30 a.m.), whichever is earlier or at any adjournment thereof, is set out in this Circular. Shareholders are advised to refer to the Notice of EGM and the Proxy Form enclosed herein. The Proxy Form should be lodged at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, no later than forty-eight (48) hours before the time appointed for holding the meeting. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Monday, 21 June 2010 at 11.45 a.m.

Date and time for the EGM : Wednesday, 23 June 2010 at 11.45 a.m.

This Circular is dated 1 June 2010

## DEFINITIONS

In this Circular, unless otherwise indicated, the following words and abbreviations shall have the following meanings:

“Act”	: The Companies Act, 1965
“AGM”	: Annual general meeting
“Board”	: Board of Directors of Salcon
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Bylaws”	: The rules, terms and conditions of the Scheme, the draft of which is set out in Appendix I of this Circular
“Circular”	: This circular dated 1 June 2010 to shareholders of Salcon
“Date of Offer”	: Date on which an Offer is made by the ESOS Committee to an Eligible Person pursuant to the Proposed ESOS
“Deed Poll”	: The meaning of which is as prescribed in Section 4.6 of the Letter to the Shareholders of Salcon as enclosed
“Director(s)”	: A natural person who holds an executive directorship in any company within the Group
“EBB”	: EON Bank Berhad
“Effective Date”	: The date on which the Proposed ESOS becomes effective in accordance with the Bylaws
“EGM”	: Extraordinary general meeting
“EPS”	: Earnings per Share
“Eligible Person(s)”	: All eligible employees of the Salcon Group including Executive Directors of the Company and the executive directors of its subsidiaries (save for subsidiaries which are dormant) who meet the criteria of eligibility for participation in the ESOS in accordance with the Bylaws
“ESOS”	: Employees’ Share Option Scheme for the benefit of Eligible Persons to subscribe for Shares in the share capital of the Company according to the terms and conditions set out in the Bylaws
“ESOS Committee”	: The committee appointed by the Board to administer the Scheme comprising such number of Directors and/or senior management personnel of the Salcon Group identified from time to time
“ESOS Option(s)”	: The right of a Grantee to subscribe for such number of Shares at the Subscription Price pursuant to an Offer duly accepted by the Grantee in accordance to the Bylaws
“FRS2”	: Financial Reporting Standard 2 relating to share-based payment in expensing the issuance of share options under the ESOS scheme of a company
“Grantee”	: An Eligible Person who has accepted an Offer in the manner provided in the Bylaws
“Interested Directors”	: The meaning of which is as prescribed in Section 9.0 of the Letter to the Shareholders of Salcon as enclosed

## **DEFINITIONS (Cont'd)**

“LPD”	:	24 May 2010, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“MIMB”	:	MIMB Investment Bank Berhad
“NA”	:	Net assets
“Offer”	:	A written offer, made by the ESOS Committee from time to time to the Eligible Persons to participate in the Scheme in the manner indicated in the Bylaws
“Offer Period”	:	A period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion during which an Offer is valid
“PAT”	:	Profit after taxation
“Proposed Amendments”	:	The meaning of which is as prescribed in Section 7.0 of the Letter to the Shareholders of Salcon as enclosed
“Proposed ESOS”	:	The proposed establishment of a new ESOS involving the issuance of new Salcon Shares, representing up to fifteen per centum (15%) of the issued and paid-up share capital of Salcon at any one time to Eligible Persons
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Salcon” or the “Company”	:	Salcon Berhad
“Salcon Group” or “Group”	:	Salcon and its subsidiary companies
“Salcon Share(s)” or “Share(s)”	:	Ordinary shares of RM0.50 each in Salcon
“SC”	:	Securities Commission
“Scheme”	:	Salcon’s ESOS as set out hereunder and governed by the Bylaws
“Subscription Price”	:	The price at which a Grantee shall be entitled to subscribe for each Share from the Company upon the exercise of the ESOS Options, as initially determined and as may be adjusted pursuant thereto in accordance with the Bylaws
Warrants 2007/2014	:	The 104,912,701 outstanding warrants issued by Salcon on 18 May 2007 which are due to expire on 17 May 2014 and are exercisable into new Salcon Shares at an exercise price of RM0.75 per warrant

Words denoting the singular number only shall include the plural and also vice-versa and words denoting the masculine gender shall, where applicable, include the feminine gender, neuter gender and vice versa. Reference to persons shall include a body of persons, corporate or unincorporated (including a trust). Any reference to a time of day shall be a reference to Malaysian time, unless otherwise stated. Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

**Registered Office:**

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

1 June 2010

**BOARD OF DIRECTORS**

Dato' Seri Goh Eng Toon (*Chairman, Non-Independent Non Executive Director*)  
Dato' Tee Tiam Lee (*Executive Deputy Chairman*)  
How See Hock (*Chief Executive Officer*)  
Dato' Leong Kok Wah (*Executive Director*)  
Jaggit Singh a/l Tara Singh (*Executive Director*)  
Tan Sri Dato' Seri Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas (*Independent Non-Executive Director*)  
Dato' Dr. Freezailah bin Che Yeom (*Independent Non-Executive Director*)  
Ho Tet Shin (*Independent Non-Executive Director*)

**To: The Shareholders of Salcon**

Dear Sir/Madam,

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**PROPOSED ESOS**

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**1. INTRODUCTION**

On 11 May 2010, MIMB, on behalf of the Board, announced that the Company has proposed to establish a new employees' share option scheme involving the issuance of new Salcon Shares representing up to fifteen per centum (15%) of the issued and paid-up share capital of Salcon at any one time to Eligible Persons.

Bursa Securities had, vide its letter dated 18 May 2010, given approval for the listing of and quotation for the new Salcon Shares to be issued pursuant to the exercise of the ESOS Options.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF SALCON WITH DETAILS ON THE PROPOSED ESOS AND TO SEEK YOUR APPROVAL FOR THE RELEVANT RESOLUTIONS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED HERewith IN THIS CIRCULAR.**

**SHAREHOLDERS OF SALCON ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED ESOS AND THE PROPOSED ALLOCATIONS OF ESOS OPTIONS TO DIRECTORS AND/OR MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO DIRECTORS AND/OR MAJOR SHAREHOLDERS AT THE FORTHCOMING EGM.**

## **2.0 DETAILS OF THE PROPOSED ESOS**

2.1 Salcon proposes to establish and implement the Proposed ESOS which involves the granting of ESOS Options to Eligible Persons as set out in the Bylaws of the Proposed ESOS. The ESOS Options granted shall entitle the Eligible Persons to subscribe for new Salcon Shares at the Subscription Price. The Proposed ESOS will be administered by an ESOS Committee whose member will be duly appointed.

2.2 The Proposed ESOS shall be governed by the Bylaws, the draft of which is set out in Appendix I of this Circular. The salient features of the Bylaws are as follows:

### **(a) Maximum number of Salcon Shares available under the Proposed ESOS**

The maximum number of new Salcon Shares that may be offered under the Proposed ESOS shall not exceed fifteen per centum (15%) of the total issued and paid-up share capital of the Company at any one time during the existence of the Proposed ESOS.

### **(b) Maximum allowable allotment and basis of allocation**

The maximum number of new Salcon Shares that may be offered under the ESOS Options to Eligible Persons shall take into consideration, amongst other factors, the Eligible Persons', seniority and performance subject to the following:

- (i) not more than 50% of the total number of Salcon Shares to be issued under the Proposed ESOS shall be allocated, in aggregate, to Directors and senior management of the Salcon Group; and
- (ii) not more than 10% of the total number of Salcon Shares to be issued under the Proposed ESOS would be allocated to any one Eligible Person, who either singly or collectively through person(s) connected with him/her holds 20% or more of the issued and paid-up share capital of Salcon (excluding treasury shares).

### **(c) Eligibility to participate in the Proposed ESOS**

Generally, any employee or Executive Director of any company comprised in the Group shall be eligible to be considered for the offer of ESOS Options under the Proposed ESOS provided that:

- (i) he/she is a natural person who is at least eighteen (18) years of age;
- (ii) he/she is employed full time by and on the payroll of any company in the Group;
- (iii) in the case of an Executive Director, whose specific allocation has been approved by the shareholders of Salcon in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
- (iv) his/her employment must have been confirmed and he/she is employed by any company in the Group for more than one (1) year on the date of offer (except in respect of the Executive Directors); and
- (v) he/she complies fully with any other criteria set by the ESOS Committee.

The ESOS Committee reserves the right to set different eligibility criteria for foreign incorporated subsidiaries of Salcon.

The selection of any Eligible Persons for participation in the ESOS shall be at the discretion of the ESOS Committee, and the decision of the ESOS Committee shall be final and binding.

No eligible person shall participate at any time in more than one (1) employee share option scheme (in any form or manner, and local or foreign) implemented by any company within the Salcon Group.

Aside from the conditions above and any other conditions to be imposed by the ESOS Committee from time to time, an Eligible Person is not subject to meet any other conditions and/or performance targets to be eligible to participate in the Scheme.

**(d) Duration of the Proposed ESOS**

The Proposed ESOS shall be valid for a duration of five (5) years from the Effective Date of implementation and may, if the Board deems fit, upon the recommendation of the ESOS Committee, be extended for a further five (5) years, subject to a maximum aggregate of ten (10) years from the Effective Date of implementation of the Proposed ESOS.

The Effective Date shall be the date of full compliance with all relevant requirements of the Main Market Listing Requirements including the following:

- (i) submission of the final copy of the Bylaws of the Scheme to Bursa Securities;
- (ii) receipt of approval from Bursa Securities for the listing of and quotation for the new Shares to be issued upon exercise of the ESOS Options under the Proposed ESOS;
- (iii) the approval of the Proposed ESOS by shareholders of the Company at the forthcoming EGM;
- (iv) receipt of approval of the Proposed ESOS from any other relevant authorities, where applicable; and
- (v) fulfilment of all conditions attached to the above approvals, if any (except for continuing obligations to be observed during the tenure of the Proposed ESOS).

**(e) Subscription price**

Subject to any adjustments that may be made in accordance with the Bylaws of the Proposed ESOS, the price payable for the exercise of an option under the Proposed ESOS shall be determined by the ESOS Committee at its sole discretion based on the five (5)-day weighted average market price of the underlying Shares immediately prior to the date of offer is made by the ESOS Committee, with a discount of not more than ten per centum (10%) thereon, if deemed appropriate, or the par value of the Salcon Shares, whichever is the higher.

**(f) Acceptance of Offer**

An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company in such manner as may be prescribed by the ESOS Committee from time to time accompanied by a non-refundable consideration of RM1.00 only for the acceptance of each Offer (regardless of the number of Shares comprised therein).

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(g) **Ranking of the new Salcon Shares to be issued under the Proposed ESOS**

The new Salcon Shares to be allotted and issued upon exercise of the ESOS Options granted under the Proposed ESOS will, upon allotment, issuance and full payment, rank pari passu in all respects with the then existing issued and paid-up Shares of the Company except that the new Salcon Shares so allotted and issued will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid, the entitlement date of which precedes the date of issuance of such new Salcon Shares.

(h) **Modifications, Variations and/or Amendments to the Scheme**

The ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments or deletion to the Bylaws as it shall, in its discretion, think fit and the Board shall have the power at any time and from time to time by resolution, to add to, amend, modify and/or delete all or any of the Bylaws upon such recommendation PROVIDED THAT no additions, modifications or amendments or deletions to the Bylaws shall be made which will:

- (i) prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee;
- (ii) prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting; and
- (iii) alter to the advantage of the Grantee without the prior approval of the Company's shareholders in a general meeting.

(i) **Listing of Shares**

The Company will make the necessary application to Bursa Securities for the quotation of the new Salcon Shares to be issued pursuant to the exercise of the ESOS Options under the Proposed ESOS.

(j) **Utilisation of proceeds and estimated expenses**

The proceeds to be received by the Company pursuant to the exercise of the ESOS Options under the Proposed ESOS will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point in time and the Subscription Price.

As such, the amount of proceeds to be received from the exercise of the ESOS Options is not determinable at this juncture. However, the proceeds arising from the exercise of the ESOS Options will be utilised as working capital for the Salcon Group and/or for servicing the bank borrowings (if any) of the Group, if and when the proceeds are received throughout the duration of the Proposed ESOS.

As at 3 May 2010, the total bank borrowings of the Salcon Group stands at RM140,965,785. However, the amount of annual savings is not determinable at this juncture due to the uncertainty of the amount of proceeds to be received from the exercise of the ESOS Options (if any).

The estimated expenses for the Proposed ESOS are approximately RM100,000.

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### 3.0 RATIONALE FOR THE PROPOSED ESOS

The Proposed ESOS is intended to motivate, retain and reward Eligible Persons, who would be given the opportunity to participate in the equity of the Company and thereby, relate directly to the performance of the Group. It is designed to provide a continuing incentive to Eligible Persons without adversely affecting the cash flow of the Group whilst at the same time contributing positively to its continuing growth through the intended stimulation of greater commitment, productivity and efforts on the part of the Eligible Persons towards the Group.

### 4.0 EFFECTS OF THE PROPOSED ESOS

The effects of the Proposed ESOS have been illustrated based on the following scenarios:

**Scenario A:** Assuming that none of the Warrants 2007/2014 are exercised on or prior to the Proposed ESOS.

**Scenario B:** Assuming that all of the Warrants 2007/2014 are exercised on or prior to the Proposed ESOS.

#### 4.1 Share Capital

The Proposed ESOS will not have an immediate effect on the existing issued and paid-up share capital of the Company. However, the issued and paid-up share capital of the Company will increase if and when the granted ESOS Options are exercised, whereby any such increase will depend on the number of ESOS Options exercised and the number of new Salcon Shares issued pursuant thereto.

For *illustrative purposes only*, the proforma effects of the Proposed ESOS on the issued and paid-up share capital of Salcon are as follows:

##### Scenario A

	No. of Salcon Shares	RM
Share capital as at 3 May 2010	467,720,804	233,860,402
Maximum number of new Salcon Shares to be issued pursuant to the Proposed ESOS <sup>(1)</sup>	70,158,120	35,079,060
Enlarged issued and paid-up share capital upon full exercise of the ESOS Options	537,878,924	268,939,462

*Note:*

(1) Based on up to 15% of the issued and paid-up share capital of Salcon upon implementation of the Proposed ESOS.

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## Scenario B

	No. of Salcon Shares	RM
Share capital as at 3 May 2010	467,720,804	233,860,402
Assuming full exercise of existing Warrants 2007/2014 as at 3 May 2010	104,912,701	52,456,351
	<hr/> 572,633,505	<hr/> 286,316,753
Maximum number of new Salcon Shares to be issued pursuant to the Proposed ESOS <sup>(1)</sup>	85,895,025	42,947,512
Enlarged issued and paid-up share capital upon full exercise of the ESOS Options	<hr/> 658,528,530	<hr/> 329,264,265

Note:

(1) Based on up to 15% of the issued and paid-up share capital of Salcon upon implementation of the Proposed ESOS.

### 4.2 Net Assets (“NA”) per Share and Gearing

The effect on the Group’s NA would depend on factors such as the number of ESOS Options granted and the fair value of the ESOS Options after taking into account, inter-alia, the Subscription Price as well as any vesting conditions. Whilst the granting of the ESOS Options under the Proposed ESOS is expected to result in recognition of a charge in the income statements of the Group pursuant to the FRS2, the recognition of such FRS2 charge would not have any impact on the NA of the Group as the corresponding amount will be classified as an equity reserve which forms part of the shareholders’ equity. In the event none of the granted ESOS Options are exercised within the duration of the Scheme, the amount outstanding in the said equity reserve would be transferred into the Company’s retained earnings. On the other hand, if the granted ESOS Options are exercised, the amount outstanding in the said equity reserve would be transferred into the share premium account of the Company.

The Proposed ESOS will not have any immediate effect on the consolidated NA per Share until such time as the ESOS Options granted under the Proposed ESOS are exercised. The consolidated NA per Share following the exercise of the ESOS Options will increase if the subscription price exceeds the consolidated NA per Share at the point of exercise of the ESOS Options and conversely will decrease if the subscription price is below the consolidated NA per Share at the point of the exercise of the ESOS Options.

The Proposed ESOS is not expected to have an immediate effect on the Group’s gearing level until such time when the ESOS Options granted are exercised. The effect on the gearing will depend on the change in the NA, which in turn will depend on the actual number of new Shares to be issued pursuant to the exercise of the ESOS Options as well as the Subscription Price payable upon the exercise of the ESOS Options.

### 4.3 EPS

The Proposed ESOS is expected to have an effect on the consolidated EPS of the Company mainly due to the dilutive effect upon the exercise of ESOS Options granted under the Proposed ESOS and the anticipated recognition of cost in relation to the ESOS Options to be granted under the Proposed ESOS pursuant to FRS2. The quantum of such impact cannot be ascertained at this point in time as such effects on the earnings of the Company are dependent on inter-alia the number of ESOS Options to be granted and accepted and the discount, if any, attached to the Subscription Price and the theoretical fair value of such ESOS Options.

The cost relating to the ESOS Options granted pursuant to the Proposed ESOS will need to be measured at the date of granting the ESOS Options and recognised as an expense in the income statement of Salcon over the vesting period of such ESOS Options. However, it should be noted that the estimated cost does not represent a cash outflow by the Company as it is merely an accounting treatment.

The Board has taken note of the potential impact of FRS2 on the Salcon Group's future earnings and shall take into consideration such impact in the allocation and granting of ESOS Options to Eligible Persons.

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## 4.4

**Substantial Shareholders' Shareholdings**

The Proposed ESOS will not have any immediate effect on the substantial shareholders' shareholdings in the Company until such time when the ESOS Options granted under the Proposed ESOS are exercised, which would accordingly result in a proportionate dilution in their shareholdings.

For *illustrative purposes only*, based on the Register of Substantial Shareholders as at 3 May 2010, the proforma effect of the Proposed ESOS on the shareholdings of the substantial shareholders of Salcon is as follows:

**Scenario A**

Substantial shareholders	I			II		
	Existing number of shares held as at 3 May 2010		%	Assuming full exercise of ESOS Options <sup>(1)</sup>		%
Direct	Indirect	Direct		Indirect		
Naga Muhibah Sdn Bhd	66,709,600	-	14.26	66,709,600	-	12.40
Dato' Seri Goh Eng Toon	-	66,709,600 <sup>(2)</sup>	14.26	-	66,709,600 <sup>(2)</sup>	12.40
Datin Seri Kee Seok Ai	-	66,709,600 <sup>(2)</sup>	14.26	-	66,709,600 <sup>(2)</sup>	12.40
Dato' Tee Tiam Lee	26,096,400	29,397,400 <sup>(3)</sup>	5.58	33,112,200 <sup>(4)</sup>	29,397,400 <sup>(3)</sup>	6.16
Infra Tropika Sdn Bhd	29,397,400	-	6.29	29,397,400	-	5.47
Tee Xun Hao	-	29,397,400 <sup>(3)</sup>	6.29	50,000 <sup>(5)</sup>	29,397,400 <sup>(3)</sup>	0.01

Notes:

- (1) Based on up to 15% of the issued and paid-up share capital of Salcon upon implementation of the Proposed ESOS.
- (2) Deemed interested by virtue of his/her substantial holdings in Naga Muhibah Sdn Bhd pursuant to Section 6(A) of the Act.
- (3) Deemed interested by virtue of his substantial holdings in Infra Tropika Sdn Bhd pursuant to Section 6(A) of the Act.
- (4) Based on the assumption that Dato' Tee Tiam Lee, who is the Executive Deputy Chairman of the Company, will be entitled up to not more than 10% of the total number of Salcon Shares (approximately 7,015,800 Salcon Shares) to be issued under the Proposed ESOS.
- (5) Assuming his entitlement under the Proposed ESOS is 50,000 ESOS Options. The actual entitlement will be determined by the ESOS Committee at a later date.

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### Scenario B

Substantial shareholders	I Existing number of shares held as at 3 May 2010			II Assuming full exercise of outstanding warrants 2007/2014			III After II and assuming full exercise of ESOS Options <sup>(1)</sup>		
	Direct	%	Indirect	Direct	%	Indirect	Direct	%	Indirect
Naga Muhibah Sdn Bhd	66,709,600	14.26	-	83,414,400	14.57	-	83,414,400	12.67	-
Dato' Seri Goh Eng Toon	-	-	66,709,600 <sup>(2)</sup>	-	-	83,414,400 <sup>(2)</sup>	-	-	83,414,400 <sup>(2)</sup>
Datin Seri Kee Seok Ai	-	-	66,709,600 <sup>(2)</sup>	-	-	83,414,400 <sup>(2)</sup>	-	-	83,414,400 <sup>(2)</sup>
Dato' Tee Tiam Lee	26,096,400	5.58	29,397,400 <sup>(3)</sup>	26,096,400	4.56	36,768,050 <sup>(3)</sup>	34,685,900 <sup>(4)</sup>	5.27	36,768,050 <sup>(3)</sup>
Infra Tropika Sdn Bhd	29,397,400	6.29	-	36,768,050	6.42	-	36,768,050	5.58	-
Tee Xun Hao	-	-	29,397,400 <sup>(3)</sup>	-	-	36,768,050 <sup>(3)</sup>	50,000 <sup>(5)</sup>	0.01	36,768,050 <sup>(3)</sup>

**Notes:**

- (1) Based on up to 15% of the issued and paid-up share capital of Salcon upon implementation of the Proposed ESOS.
- (2) Deemed interested by virtue of his/her substantial holdings in Naga Muhibah Sdn Bhd pursuant to Section 6(A) of the Act.
- (3) Deemed interested by virtue of his substantial holdings in Infra Tropika Sdn Bhd pursuant to Section 6(A) of the Act.
- (4) Based on the assumption that Dato' Tee Tiam Lee, who is the Executive Deputy Chairman of the Company, will be entitled up to not more than 10% of the total number of Salcon Shares (approximately 8,589,500 Salcon Shares) to be issued under the Proposed ESOS.
- (5) Assuming his entitlement under the Proposed ESOS is 50,000 ESOS Options. The actual entitlement will be determined by the ESOS Committee at a later date.

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#### 4.5 **Effects on the existing convertible securities**

As at LPD, the Company has 104,912,701 outstanding warrants 2007/2014. Based on Section 2 (viii) (b) of the Memorandum (Provisions for Adjustment of Exercise Price and Exercise Rights) of the Deed Poll 2007/2014 (relating to the outstanding warrants 2007/2014) dated 12 April 2007 (“**Deed Poll**”), no adjustments are required to be made to the existing exercise price and the number of outstanding warrants 2007/2014 which remain unexercised.

#### 5.0 **APPROVALS REQUIRED**

The Proposed ESOS is subject to the following approvals being obtained:

- (a) Bursa Securities for the listing of and quotation for such number of new Salcon Shares to be issued and allotted pursuant to the Proposed ESOS;
- (b) shareholders of Salcon at an EGM to be convened for the Proposed ESOS; and
- (c) other relevant authorities (if required).

The Proposed ESOS is not conditional upon any other proposals.

#### 6.0 **HISTORICAL MARKET PRICES**

The monthly highest and lowest prices of Salcon Shares as traded on Bursa Securities for the past twelve (12) months are as follows:

	<b>Highest (RM)</b>	<b>Lowest (RM)</b>
<u>2009</u>		
May	0.555	0.423
June	0.644	0.438
July	0.575	0.465
August	0.570	0.500
September	0.565	0.490
October	0.545	0.500
November	0.665	0.505
December	0.700	0.590
<u>2010</u>		
January	0.805	0.680
February	0.730	0.645
March	0.730	0.660
April	0.765	0.690

The last transacted price of Salcon Shares on 10 May 2010, being the date immediately before the announcement of the Proposed ESOS dated 11 May 2010 was RM0.70 per share.

The last transacted price of Salcon Shares on 24 May 2010, being the LPD date prior to the printing of this Circular was RM0.63 per share.

*(Source: Bloomberg)*

The monthly highest and lowest prices of Warrants 2007/2014 as traded on Bursa Securities for the past twelve (12) months are as follows:

	<b>Highest (RM)</b>	<b>Lowest (RM)</b>
<u>2009</u>		
May	0.260	0.135
June	0.400	0.200
July	0.285	0.220
August	0.300	0.210
September	0.275	0.210
October	0.240	0.205
November	0.370	0.230
December	0.400	0.285
<u>2010</u>		
January	0.520	0.380
February	0.405	0.315
March	0.380	0.320
April	0.405	0.330

The last transacted price of the Warrants 2007/2014 on 6 May 2010, being the date immediately before the announcement of the Proposed ESOS dated 11 May 2010 and traded in the market was RM0.32 per Warrant 2007/2014.

The last transacted price of the Warrants 2007/2014 on 21 May 2010, being the latest practicable date prior to the printing of this Circular and traded in the market was RM0.32 per Warrant 2007/2014.

*(Source: Bloomberg)*

## **7.0 OUTSTANDING CORPORATE EXERCISES**

Save as disclosed below and the Proposed ESOS which is the subject matter of this Circular, the Board has confirmed that there are no other intended corporate exercises/schemes which have been announced but not yet completed prior to LPD:

On 27 April 2010, the Company announced that it intends to seek its shareholders' approval for the proposed amendments to the Articles of Association of the Company (“**Proposed Amendments**”) at the Seventh AGM of the Company to be convened. The Proposed Amendments are made for the purpose of allowing payment of cash dividends via eDividends and the facilitation of administrative issues. The details of the Proposed Amendments will be incorporated into the Company’s 2009 Annual Report.

The Proposed ESOS is not conditional upon the Proposed Amendments or any other corporate proposals.

## **8.0 ESTIMATED TIME FRAME FOR COMPLETION FOR THE PROPOSED ESOS**

The Proposed ESOS is expected to be completed by the third (3<sup>rd</sup>) quarter of the financial year ending 31 December 2010.

## 9.0 INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed below, no Directors and major shareholders and/or persons connected to them are interested in the Proposed ESOS and the proposed allocations of ESOS Options to Directors and major shareholders and/or persons connected to them:

Name	Designation
Dato' Tee Tiam Lee	Executive Deputy Chairman
How See Hock	Chief Executive Officer
Dato' Leong Kok Wah	Executive Director
Jaggit Singh a/l Tara Singh	Executive Director

All the aforesaid Executive Directors are deemed interested in their respective allocations pursuant to the Proposed ESOS by virtue of the ESOS Options that will be allocated to them. In addition, Dato' Leong Kok Wah is a family member of Dato' Seri Goh Eng Toon (the Chairman of the Company). Accordingly, Dato' Seri Goh Eng Toon is also deemed interested in Dato' Leong Kok Wah's allocation pursuant to the Proposed ESOS by virtue of this family relationship. (All the Executive Directors and Dato' Seri Goh Eng Toon shall hereinafter collectively be known as the "**Interested Directors**"). Therefore, the Interested Directors have abstained and will continue to abstain from all deliberations and voting on their respective allocations pursuant to the Proposed ESOS at the relevant Board meetings.

Dato' Tee Tiam Lee, How See Hock, Dato' Leong Kok Wah and Jaggit Singh a/l Tara Singh will also abstain from voting on the resolutions pertaining to their respective allocations pursuant to the Proposed ESOS in respect of their direct and/or indirect shareholdings in Salcon at the forthcoming EGM to be convened by Salcon.

Dato' Seri Goh Eng Toon and Datin Seri Kee Seok Ai (being the indirect substantial shareholder and spouse of Dato' Seri Goh Eng Toon) will also abstain from voting on the resolution pertaining to Dato' Leong Kok Wah's allocation pursuant to the Proposed ESOS in respect of their direct and/or indirect shareholdings in Salcon at the forthcoming EGM to be convened by Salcon.

Tee Xun Hao, Business Development Executive, being the son of Dato' Tee Tiam Lee, is entitled to participate in the Proposed ESOS. Dato' Tee Tiam Lee will also abstain from voting on the resolution pertaining to Tee Xun Hao's allocation pursuant to the Proposed ESOS in respect of his direct and/or indirect shareholdings in Salcon at the forthcoming EGM to be convened by Salcon.

In addition, the Interested Directors and Datin Seri Kee Seok Ai will also ensure that persons connected to them will abstain from voting on the resolutions pertaining to their respective allocations pursuant to the Proposed ESOS in respect of their direct or indirect shareholdings in Salcon at the forthcoming EGM.

The shareholdings of the Interested Directors, Datin Seri Kee Seok Ai and Tee Xun Hao as at 3 May 2010 are set out below:

Name	Existing number of shares held as at 3 May 2010			
	Direct	%	Indirect	%
Dato' Seri Goh Eng Toon	-	-	66,709,600 <sup>(1)</sup>	14.26
Dato' Tee Tiam Lee	26,096,400	5.58	29,397,400 <sup>(2)</sup>	6.29
How See Hock	1,867,900	0.40	214,900 <sup>(3)</sup>	0.05
Dato' Leong Kok Wah	-	-	200,000 <sup>(4)</sup>	0.04
Jaggit Singh a/l Tara Singh	3,390,000	0.73	-	-
Datin Seri Kee Seok Ai	-	-	66,709,600 <sup>(1)</sup>	14.26
Tee Xun Hao	-	-	29,397,400 <sup>(2)</sup>	6.29



Notes:

- (1) *Deemed interested by virtue of his/her substantial holdings in Naga Muhibah Sdn Bhd pursuant to Section 6(A) of the Act.*
- (2) *Deemed interested by virtue of his substantial holdings in Infra Tropika Sdn Bhd pursuant to Section 6(A) of the Act.*
- (3) *Deemed interested by virtue of the shareholdings of his spouse in Salcon pursuant to Section 6(A) of the Act.*
- (4) *Deemed interested by virtue of the shareholdings of his children in Salcon pursuant to Section 6(A) of the Act.*

## **10.0 DIRECTORS' RECOMMENDATION**

The Board (with the exception of the Interested Directors in respect of their respective allocations pursuant to the Proposed ESOS), after having considered all aspects of the Proposed ESOS, is of the opinion that the Proposed ESOS is in the best interest of the Company and the Group. Accordingly, the Board (with the exception of the Interested Directors in respect of their respective allocations pursuant to the Proposed ESOS) recommends that their shareholders vote in favour of the resolutions to be tabled at the forthcoming EGM in relation to the Proposed ESOS on the basis as provided in the rationale stated in Section 3 here above.

## **11.0 EGM**

The EGM for the Proposed ESOS, notice of which is enclosed in this Circular, will be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday 23 June 2010 at 11.45 a.m., or immediately after the conclusion of the Company's Seventh AGM (which will be held at the same venue on the same day at 10.30 a.m.), whichever is earlier, or at any adjournment thereof for the purpose of considering and if thought fit, passing the relevant resolutions pertaining to the Proposed ESOS and the proposed allocations of ESOS Options to Directors and/or major shareholders and/or persons connected to Directors and/or major shareholders.

If you are unable to attend and vote in person at the EGM for the Proposed ESOS, you should complete, sign and return the Proxy Form enclosed with this Circular in accordance with the instructions printed therein as soon as possible so as to arrive at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, no later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. The lodgement of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

## **12.0 FURTHER INFORMATION**

Shareholders are advised to refer to the attached Appendices for further information.

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

**How See Hock**  
Chief Executive Officer

**DRAFT BYLAWS OF THE PROPOSED ESOS**

**1. NAME OF SCHEME**

This Scheme shall be called the “**Salcon Berhad’s Employees’ Share Option Scheme**”.

**2. OBJECTIVES OF SCHEME**

The objectives of the Scheme are:

- (a) To provide an opportunity for Eligible Persons to participate as shareholders of the Company;
- (b) To motivate, reward and retain Eligible Persons whose services are vital to the continued growth of the Group; and
- (c) To motivate Eligible Persons towards better performance through greater loyalty to the Group.

**3. DEFINITIONS AND INTERPRETATION**

3.1 In these Bylaws, the following terms and expressions shall have the following meanings:

Act	: The Companies Act, 1965
Available Balance	: The unissued share capital of the Company which is available for the offer of further ESOS Options subject to the limit set out in Bylaw 4.2, and after deducting all ESOS Options which have been offered and accepted
Board	: Board of Directors of Salcon
Bursa Securities	: Bursa Malaysia Securities Berhad
Bylaws	: The rules, terms and conditions of the Scheme (as may be modified, varied and/or amended from time to time in accordance with Bylaw 23)
CDS	: Central Depository System
CDS Account	: An account established by Bursa Malaysia Central Depository Sdn. Bhd. for a depositor for the recording of deposits of securities and dealings in such securities by a depositor
Company or Salcon	: Salcon Berhad (593796-T), or such other name to which it may be changed from time to time
Date of Expiry	: Last day of the duration of the Scheme as defined in Bylaw 20.1
Date of Offer	: Date on which an Offer is made by the ESOS Committee to an Eligible Person in the manner provided in Bylaw 7
Director(s)	: A natural person who holds a directorship in a full time executive capacity and is involved in the day-to-day management in any company within the Group and is on the payroll of such company

Effective Date	: The date of full compliance with all relevant requirements pursuant to the Listing Requirements, including but not limited to the following:
	(a) Submission of the final copy of the Bylaws of the Scheme to Bursa Securities;
	(b) Receipt of approval for the listing of and quotation for the Salcon Shares to be issued under the Scheme from Bursa Securities upon exercise of the ESOS Options;
	(c) Procurement of shareholders' approval for the Scheme;
	(d) Receipt of approval of the Scheme from any other relevant authorities, where applicable; and
	(e) Fulfilment of all conditions attached to the above approvals, if any.
Eligible Person(s)	: All eligible employees of the Salcon Group including Executive Directors of the Company and the executive directors of its subsidiaries (save for subsidiaries which are dormant) who meet the criteria of eligibility for participation in the ESOS, as set out in Bylaws 5.1 and 6.1
Employee	: A natural person who is employed by and on the payroll of any company in the Group
Entitlement Date	: The date as at the close of business on which shareholders' names must appear on Salcon's Record of Depositors and/or Register of Members in order to be entitled to any dividends, rights, allotments or other distributions
ESOS	: Employees' Share Option Scheme for the benefit of the Eligible Persons
ESOS Committee	: The committee appointed by the Board to administer the Scheme comprising such number of Directors and/or senior management personnel of the Salcon Group identified from time to time
ESOS Options	: The right of a Grantee to subscribe for such number of Shares at the Subscription Price pursuant to an Offer duly accepted by the Grantee pursuant to Bylaw 7
Grantee	: Any Eligible Person who has accepted an Offer in the manner provided in Bylaw 8
Group or Group	: The Company and its subsidiary company(ies) as defined in Section 5 of the Act, which are not dormant. Subject to the foregoing, subsidiaries include subsidiaries which are existing as at the Effective Date and subsidiaries which are incorporated or acquired at any time during the duration of the Scheme but exclude subsidiaries which have been divested in the manner provided in Bylaw 17
Listing Requirements	: The Main Market Listing Requirements of Bursa Securities
Market Day	: The day on which Bursa Securities is open for trading of securities
Maximum Limit	: The maximum number of Salcon Shares that may be offered under the ESOS which shall not exceed fifteen per centum (15%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS as stipulated in Bylaw 6.1

Offer	: A written offer made by the ESOS Committee from time to time to an Eligible Person to participate in the Scheme in the manner provided in Bylaw 7
Offer Period	: A period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion during which an Offer is valid as stipulated in Bylaw 7.3
Option Period	: The period commencing from the date an Offer is accepted by a Grantee and expiring on the Date of Expiry or such other date as stipulated by the ESOS Committee in the Offer
Salcon Shares or Shares	: Ordinary shares of RM0.50 each in the Company
Scheme	: The Salcon's ESOS scheme set up under and governed by the Bylaws
Selected Employee	: An Eligible Person who has been selected by the ESOS Committee and to whom an Offer has been made by the ESOS Committee in accordance with the terms of the Scheme
Senior Management	: Any employee of the Group who falls within the grading as determined by the ESOS Committee from time to time
Subscription Price	: The price at which a Grantee shall be entitled to subscribe for each Share from the Company upon the exercise of the ESOS Options, as initially determined and as may be adjusted pursuant thereto in accordance with the provisions of Bylaw 11

- 3.2 Headings are for ease of reference only and do not affect the meaning of a Bylaw.
- 3.3 References to the provisions of statutes include such provisions as amended or re-enacted from time to time, and references to statutes include any consolidations, replacements or revisions of the same.
- 3.4 Words importing the masculine gender shall include the feminine and neuter genders.
- 3.5 Words importing the singular number shall include the plural number and vice versa.
- 3.6 If an event is to occur on a stipulated day which is not a Market Day, then the stipulated day will be taken to be the first Market Day after that day.

#### **4. TOTAL NUMBER OF SHARES AVAILABLE UNDER THE SCHEME**

- 4.1 Each Option shall be exercisable into one (1) new Salcon Share in accordance with the provisions of these Bylaws.
- 4.2 The maximum number of new Salcon Shares that may be offered under the ESOS Options to Eligible Persons shall take into consideration, amongst other factors, the Eligible Persons' seniority and performance subject to the following:
- a) not more than 50% of the total number of Salcon Shares to be issued under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Salcon Group;

- b) not more than 10% of the total number of Salcon Shares to be issued under the ESOS would be allocated to any Eligible Persons, who either singly or collectively through persons connected with him/her holds 20% or more of the issued and paid-up share capital of Salcon (excluding treasury shares),

In this Bylaw, “**persons connected**” has the same meaning as defined in paragraph 1.01 of the Listing Requirements.

- 4.3 Notwithstanding Bylaw 4.2 above nor any other provision herein contained, in the event the maximum number of new Salcon Shares comprised in the ESOS Options granted under the Scheme exceeds the aggregate of fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company as a result of the Company purchasing its own Salcon Shares pursuant to Section 67A of the Act and thereby diminishing the issued and paid-up ordinary share capital of the Company, the ESOS Options granted shall remain valid and exercisable in accordance with these Bylaws. However, in such a situation, the ESOS Committee shall not make any further Offers unless the total number of Salcon Shares to be issued under the Scheme falls below fifteen per centum (15%) of the issued and paid-up ordinary share capital of the Company.
- 4.4 The Company will keep available sufficient unissued Salcon Shares in its authorised share capital to satisfy all outstanding ESOS Options throughout the duration of the Scheme.

## 5. ELIGIBILITY

- 5.1 Only Eligible Persons of the Group who fulfill the following conditions shall be eligible to participate in the Scheme:
  - (i) he/she is a natural person who is at least eighteen (18) years of age;
  - (ii) he/she is employed full time by and on the payroll of any company in the Group;
  - (iii) in the case of an Executive Director, whose specific allocation has been approved by the shareholders of Salcon in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
  - (iv) his/her employment must have been confirmed and he/she is employed by any company in the Group for more than one (1) year on the Date of Offer (except in respect of the Executive Directors); and
  - (v) he/she complies fully with any other criteria set by the ESOS committee.

The ESOS Committee reserves the right to set different eligibility criteria for foreign incorporated subsidiaries of Salcon.

The selection of any Eligible Persons for participation in the ESOS shall be at the discretion of the ESOS Committee, and the decision of the ESOS Committee shall be final and binding.

- 5.2 No eligible person shall participate at any time in more than one (1) employee share option scheme (in any form or manner, and local or foreign) implemented by any company within the Group.
- 5.3 In the case of any employee employed on fixed term contract of services basis, he shall be eligible to participate in the Scheme if he meets the criteria referred to in Bylaw 5.1 above, and also the period of contract in respect of which he is then employed is for a minimum of two (2) years irrespective of the period remaining unexpired under such contract.
- 5.4 Subject to Bylaws 4.2 and 6.1, in the event that the ESOS Committee has determined that certain Eligible Persons are entitled to be offered additional ESOS Options and the Available Balance is insufficient to grant their full additional entitlements, the Available Balance may be distributed on such basis as the ESOS Committee may determine.

5.4 The ESOS Committee has the discretion not to make further additional Offers regardless of the amount of the Available Balance.

## **6. BASIS OF ALLOTMENT AND MAXIMUM ALLOWABLE ALLOCATION OF SHARES**

- 6.1 Subject to Bylaw 6.3 and any adjustment which may be made under Bylaw 15, the ESOS Committee shall be entitled at its absolute discretion to determine the number of new Shares to be comprised in an Offer made to the Selected Employees under the Scheme, but the ESOS Committee shall not be obliged in any way to offer a Selected Employee an ESOS Option for all the specified maximum number of Shares.
- 6.2 Subject to Bylaw 6.3 and any adjustment which may be made under Bylaw 15, the number of new Shares that may be offered and allotted to any Selected Employee under the Scheme shall be at the absolute discretion of the ESOS Committee after taking into consideration the performance, targets, position, annual appraised performance and seniority of the Selected Employee in the Salcon Group.
- 6.3 Not more than fifty per centum (50%) of the Shares available under the Scheme would be allocated in aggregate, to the Directors and Senior Management of the Salcon Group. In addition, not more than ten per centum (10%) of the Shares available under the Scheme shall be allocated to any individual Eligible Person who, either singly or collectively through person(s) connected with the Directors or employees of the Salcon Group, holds twenty per centum (20%) or more of the issued and paid-up share capital of Salcon. The term “**Senior Management**” shall be subject to criteria to be determined by the ESOS Committee that may change from time to time.
- 6.4 A Grantee who is promoted during the tenure of the Scheme may be eligible for consideration of new additional Shares under the Scheme at the discretion of the ESOS Committee up to the maximum allowable allocation to be determined by the ESOS Committee for the category to which he has been promoted to. A Grantee who is demoted to a lower employment category for whatever reason shall only be entitled to the allocation of that lower category unless an Offer has been made and accepted by him before such demotion.
- 6.5 An employee or Director who during the tenure of the Scheme becomes an Eligible Person may be eligible to participate in the Scheme, the number of new Shares of which is to be decided by the ESOS Committee at its absolute discretion subject to any maximum allowable allocation for the category to be determined by the ESOS Committee. Any Selected Employee holding more than one (1) position in the Salcon Group and thereby falling within more than one (1) category of Selected Employees in the Salcon Group shall only be entitled to the maximum allowable allocation of the higher category.
- 6.6 The allotment of Shares arising from Bylaw 6.4 above shall be made from the balance of new Shares available under the Scheme including those from Offers and ESOS Options, which have lapsed or terminated.

## **7. OFFER**

- 7.1 During the duration of the Scheme, the ESOS Committee may at its discretion at any time and from time to time make an Offer in writing to an Eligible Person.
- 7.2 The ESOS Committee shall state the following particulars in the letter of Offer:
- (a) The number of ESOS Options that are being offered to the Eligible Person;
  - (b) The number of Salcon Shares which the Eligible Person shall be entitled to subscribe for upon the exercise of the ESOS Options being offered;
  - (c) The ESOS Option Period;
  - (d) The Subscription Price; and
  - (e) The Offer Period as mentioned in Bylaw 7.3.

- 7.3 An Offer shall be valid for a period of fourteen (14) days from the Date of Offer or such longer period as may be determined by the ESOS Committee at its sole and absolute discretion during which an Offer is valid.
- 7.4 No Offer shall be made to any Director of Salcon unless such Offer and the related allotment of Salcon Shares have previously been approved by the shareholders of the Company in general meeting.
- 7.5 Without prejudice to Bylaw 22, in the event of an error on the part of the Company in stating any of the particulars referred to in Bylaw 7.2, the following provisions shall apply:
- (a) Within one (1) month after discovery of the error, the Company shall issue a supplemental letter of Offer, stating the correct particulars referred to in Bylaw 7.2;
  - (b) In the event that the error relates to particulars other than the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall remain as the Subscription Price as per the original letter of Offer; and
  - (c) In the event that the error relates to the Subscription Price, the Subscription Price applicable in the supplemental letter of Offer shall be the Subscription Price applicable as at the date of the original letter of Offer, save and except with respect to any ESOS Options which have already been exercised as at the date of issue of the supplemental letter of Offer.
- 7.6 An Offer shall only be made to the Eligible Persons of a newly acquired company, a company that will form part of the Salcon Group, after eighteen (18) months from the completion of the acquisition of that new company.

## **8. ACCEPTANCE**

- 8.1 An Offer shall be accepted by an Eligible Person within the Offer Period by written notice to the Company accompanied by a payment to the Company of a nominal non-refundable consideration of Ringgit Malaysia One (RM1.00) only for the grant of the ESOS Options.
- 8.2 If an Offer is not accepted in the manner aforesaid, the Offer shall automatically lapse upon the expiry of the Offer Period. The number of ESOS Options offered in the lapsed Offer shall be deducted from the Maximum Limit or the balance of the Maximum Limit of the Eligible Person, and the Eligible Person shall not be entitled to be offered the number of ESOS Options offered in the lapsed Offer, in any Offers made in the future. However, ESOS Options not taken up resulting from the non-acceptance of Offers within the Offer Period shall thereafter form part of the balance of ESOS Options available under the Scheme for future Offers.

## **9. NON-TRANSFERABILITY**

- 9.1 An ESOS Option is personal to the Grantee and subject to the provisions of Bylaws 14.2 and 14.3, it is exercisable only by the Grantee personally during his lifetime whilst he is in the employment of any company in the Group.
- 9.2 An ESOS Option shall not be transferred, assigned, disposed of or subject to any encumbrances by the Grantee save and except in the event of the death of the Grantee as provided under Bylaw 14.4. Any such transfer, assignment, disposal or encumbrance shall result in the automatic cancellation of the ESOS Option.

## 10. EXERCISE OF OPTIONS

- 10.1 Subject to the discretion of the ESOS Committee which shall formulate the basis in relation to the exercise of the ESOS Options and subject to Bylaws 14.2, 14.3, 14.4, 16 and 17, a Grantee shall be allowed to exercise the ESOS Options granted to him anytime (subject to Bylaw 10.4) from the Date of Offer on terms set out in the letter of Offer during his lifetime whilst he is in the employment of the Group and within the Option Period.
- 10.2 Subject to the discretion of the ESOS Committee, where a Grantee is serving under an employment contract and the remaining duration of the contract is less than five (5) years from the Date of Offer, he may exercise any remaining unexercised ESOS Options upon the expiry of the contract but before the Date of Expiry of the Scheme.
- 10.3 ESOS Options which are exercisable in a particular year but are not exercised may be carried forward to subsequent years subject to the Option Period. Any ESOS Options which remain unexercised at the expiry of the Option Period shall be automatically terminated without any claim against the Company. For the avoidance of doubt, it is hereby stated that the provisions of Bylaws 10.1 and 10.2 are subject to the provisions of this Bylaw 10.3.
- 10.4 A Grantee shall exercise his ESOS Options on the 1<sup>st</sup> and 15<sup>th</sup> of each calendar month (in the event that such day falls on weekends or public holidays, it shall be the next working day) or such other period that may be stipulated by the ESOS Committee, by notice in writing to the Company stating the number of ESOS Options exercised. The procedure for the exercise of ESOS Options to be complied with by a Grantee shall be determined by the ESOS Committee from time to time.
- 10.5 A Grantee shall exercise his ESOS Options by notice in writing to the Company in the prescribed form stating the number of ESOS Options exercised, the number of Salcon Shares relating thereto and the Grantee's individual/nominee CDS Account number. The ESOS Committee may pursuant to Bylaw 22 hereof, at any time and time to time, before or after an ESOS Option is granted, limit the exercise of the ESOS Option to a maximum number of new Salcon Shares and/or such percentage of total new Salcon Shares comprised in the ESOS Option during such periods within the Option Period and impose any other terms and/or conditions deemed appropriate by the ESOS Committee in its sole discretion including amending or varying any terms and conditions imposed earlier. The exercise by a Grantee of some but not all of the ESOS Options which have been offered to and accepted by him shall not preclude the Grantee from subsequently exercising any other ESOS Options which have been or will be offered to and accepted by him, during the Option Period.
- 10.6 Every notice to exercise ESOS Options shall be accompanied by a remittance in Ringgit Malaysia in the form of a banker's draft or cashier's order or in such form as may be prescribed by the ESOS Committee and payable for the full amount of the subscription money in relation to the number of Salcon Shares in respect of which the notice is given.
- 10.7 Within eight (8) Market Days of the receipt by the Company of such notice and payment, or such other period as may be prescribed by Bursa Securities, and subject to the Articles of Association of the Company, the Company shall allot the relevant number of Salcon Shares to the Grantee. The said Salcon Shares will be credited directly into the CDS Account of the Grantee or his financier, as the case may be, and a notice of allotment stating the number of Salcon Shares so credited will be issued to the Grantee. No physical certificates will be issued. An application will be made for the quotation of such Salcon Shares.
- 10.8 The Company, the Board and the ESOS Committee shall not under any circumstances be held liable to any person for any costs, losses, expenses, damages or liabilities howsoever arising in the event of any delay on the part of the Company in allotting and issuing the Salcon Shares or in procuring Bursa Securities to list and quote the Salcon Shares subscribed for by a Grantee or any delay in receipt or non-receipt by the Company of the notice to exercise the ESOS Options or for any errors in any Offers.



## **11. SUBSCRIPTION PRICE**

The Subscription Price of each Salcon Share comprised in any ESOS Option shall, subject always to the provisions of Bylaw 15 hereof, be as follows:

- (i) the weighted average market price of the Salcon Shares for the five (5) Market Days immediately preceding the Date of Offer with a discount of not more than ten per centum (10%); and
- (ii) the price so determined shall not be less than the par value of the Salcon Shares;

or at a subscription price in accordance with any guidelines, rules and regulations of the relevant authorities governing the Scheme at the time of the Offer.

## **12. RIGHTS ATTACHING TO SHARES**

The new Salcon Shares to be allotted and issued upon the exercise of any ESOS Options granted under the Scheme will, upon allotment, issuance and full payment, rank *pari passu* in all respects with the existing issued and paid-up Salcon Shares of the Company, except that the new Salcon Shares so allotted and issued will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which precedes the date of issuance of such new Salcon Shares. The new Salcon Shares will be subject to the provisions of the Articles of Association of the Company.

## **13. HOLDING OF SHARES**

The Company encourages Grantees to hold the Salcon Shares subscribed for by them for as long as possible although a Grantee or his financier, as the case may be, may sell the Salcon Shares subscribed for by the Grantee at any time after such Salcon Shares have been credited to the Grantee's or his financier's CDS Account. A Grantee should note that the Salcon Shares are intended for him to hold as an investment rather than for realisation to yield a quick profit.

## **14. TERMINATION OF EMPLOYMENT, RETRENCHMENT, TRANSFER, ETC**

14.1 Any ESOS Option which has not been exercised by a Grantee shall be automatically terminated in the following circumstances:

- (a) Termination of employment of the Grantee with the Group for any reason whatsoever, in which event the ESOS Option shall be automatically terminated on the day the Grantee notifies his employer of his resignation or on the Grantee's last day of employment, whichever is the earlier; or
- (b) Bankruptcy of the Grantee, in which event the ESOS Option shall be automatically terminated on the date a receiving order is made against the Grantee by a court of competent jurisdiction; or
- (c) Upon the happening of any other event which results in the Grantee being deprived of the beneficial ownership of the ESOS Option.

Upon the termination of ESOS Options pursuant to Bylaw 14.1(a), (b) or (c) above, the Grantee shall have no right to compensation or damages or any claim against the Company from any loss of any right or benefit or prospective right or benefit under the Scheme which he might otherwise have enjoyed, whether for wrongful dismissal or breach of contract or loss of office or otherwise howsoever arising from his ceasing to hold office or employment or from the suspension of his right to exercise his ESOS Options or his ESOS Options ceasing to be valid.

- 14.2 Should the following circumstances occur:
- (a) Retirement on attaining the normal retirement age of sixty (60) years or in accordance with the employment contract of the employer company within the Group; or
  - (b) Retirement before attaining the normal retirement age and with the consent of the employer company within the Group;

a Grantee shall not be eligible to any new Offer but shall be entitled only to exercise any ESOS Options which has not been exercised during the Option Period up to his/her date of retirement.

- 14.3 Notwithstanding Bylaw 14.1 above, the ESOS Committee may at its discretion allow an ESOS Option to remain exercisable during the Option Period on such terms and conditions as it shall deem fit if the cessation of employment occurs as a result of:
- (a) Ill-health, injury, physical or mental disability; or
  - (b) Redundancy; or
  - (c) Transfer to any company outside the Group at the direction of the Company; or
  - (d) Any other circumstance acceptable to the ESOS Committee.

- 14.4 In the event that a Grantee dies before the expiry of the Option Period and, at the date of death, holds any ESOS Options which are unexercised, the exercise of such ESOS Options by the personal or legal representative of the deceased Grantee within the Option Period is subject to the approval of the ESOS Committee.

The exercise of ESOS Options as set out in Bylaw 10.1 hereof shall not apply to an exercise of the ESOS Options of a deceased Grantee by his personal or legal representative. The proportion exercisable is at the discretion of the ESOS Committee.

## **15. ALTERATION OF CAPITAL**

- 15.1 Subject to Bylaw 15.5 hereof, 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 Salcon Shares or reduction of capital or otherwise howsoever, the Company shall cause such adjustment to be made to:

- (a) The number of ESOS Options granted to each Grantee (excluding ESOS Options already exercised); and/or
- (b) The Subscription Price

for purposes of ensuring that the capital outlay to be incurred by a Grantee in subscribing for 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 (i.e. not taking into account ESOS Options already exercised) shall remain unaffected.

- 15.2 The following provisions shall apply in relation to an adjustment which is made pursuant to Bylaw 15.1:

- (a) Any adjustment to the Subscription Price shall be rounded down to the nearest one (1) sen and in no event shall the Subscription Price be reduced to an amount which is below the par value of the Salcon Shares; and
- (b) In determining a Grantee's entitlement to subscribe for Salcon Shares, any fractional entitlements will be disregarded.

15.3 Subject to Bylaw 15.2, the Subscription Price and the number of new Shares relating to the ESOS Options so far unexercised shall from time to time be adjusted in accordance with the following relevant provisions in consultation with the Auditor:

- (a) If and whenever a Salcon Share by reason of any consolidation or subdivision or conversion shall have a different par value, the Subscription Price shall be adjusted by multiplying it by the revised par value and dividing the result by the former par value and the additional number of new Shares relating to the ESOS Options to be issued shall be calculated in accordance with the following formula:

$$\text{Number of additional Shares} = T \times \left( \frac{\text{Former Par Value}}{\text{Revised Par Value}} \right) - T$$

Where T = existing number of Shares relating to an ESOS Option.

Such adjustment will be effective from the close of business on the Market Day immediately following 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), or such other period as may be prescribed by Bursa Securities.

- (b) If and whenever the Company shall make any issue of new Shares to shareholders credited as fully paid-up, by way of bonus issue or capitalisation issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund), the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

and the additional number of new Shares relating to the ESOS Options to be issued shall be calculated as follows:

$$\text{Number of additional Shares} = \left\{ T \times \left( \frac{A+B}{A} \right) \right\} - T$$

Where:

A = the aggregate number of issued and fully paid-up Shares immediately before such bonus issue or capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to shareholders credited as fully paid-up by way of bonus issue or capitalisation issue of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund); and

T = T as in Bylaw 15.3(a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (c) If and whenever the Company shall make:
- (1) a Capital Distribution (as defined below) to ordinary shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets); or

- (2) any offer or invitation to ordinary shareholders whereunder they may acquire or subscribe new Shares by way of rights; or
- (3) any offer or invitation to ordinary shareholders by way of rights whereunder they may acquire or subscribe for securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares attached thereto,

then and in respect of each such case, the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

and in respect of the case referred to in Bylaw 15.3(c)(2) hereof, the number of additional new Shares comprised in the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of additional Shares} = \left\{ T \times \left( \frac{C}{C - D^*} \right) \right\} - T$$

Where:

T = T as in Bylaw 15.3(a) above;

C = the prevailing market price of each Share on the Market Day immediately preceding the date on which the Capital Distribution or, as the case may be, the offer or invitation is publicly announced to Bursa Securities or (failing any such announcement) immediately preceding the date of the Capital Distribution or, as the case may be, of the offer or invitation; and

D = (aa) in the case of an offer or invitation to acquire or subscribe for new Shares under Bylaw 15.3(c)(2) above or for securities convertible into or with rights to acquire or subscribe for new Shares under Bylaw 15.3(c)(3) above, the value of rights attributable to one (1) existing Share (as defined below); or

(bb) in the case of any other transaction falling within Bylaw 15.3(c) hereof, the fair market value as determined (with the concurrence of the Auditor) by the principal adviser of the Company (an investment bank or universal broker) of that portion of the Capital Distribution attributable to one (1) existing Share.

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

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

Where:

C = C as in Bylaw 15.3(c) above;

E = the subscription price for one (1) additional Share under the terms of offer or invitation or one (1) additional security convertible into Shares or one (1) additional security with rights to acquire or subscribe for Shares;

F = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share or security convertible into Shares or right to acquire or subscribe for Shares; and

D\* = the value of rights attributable to one (1) existing Share (as defined below).

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

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

Where:

C = C as in Bylaw 15.3(c) above;

E\* = the subscription price for one (1) additional Share under the terms of offer or invitation; and

F\* = the number of existing Shares which is necessary to hold in order to be offered or invited to acquire or subscribe for one (1) additional Share.

For the purpose of Bylaw 15.3(c) hereof, “**Capital Distribution**” shall (without prejudice to the generality of that expression) include distributions in cash or specie or by way of issue of new Shares (not falling under Bylaw 15.3(b) hereof) or other securities credited as fully or partly paid-up by way of capitalisation of profits or reserves of the Company (whether of a capital or income nature and including any share premium account and capital redemption reserve fund).

Any dividend charged or provided for in the audited financial statements of the Company for any period shall (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 as shown in the audited profit and loss accounts of the Company.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (d) If and whenever the Company makes any allotment to its shareholders as provided in Bylaw 15.3(b) above and also makes any offer or invitation to its shareholders as provided in Bylaw 15.3(c)(2) or (3) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall be adjusted by multiplying it by the following fraction:

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

and where the Company makes any allotment to its shareholders as provided in Bylaw 15.3(b) above and also makes any offer or invitation to its shareholders as provided in Bylaw 15.3(c)(2) above and the Entitlement Date for the purpose of the allotment is also the Entitlement Date for the purpose of the offer or invitation, the number of additional new Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of additional Shares} = \left( T \times \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

G = the aggregate number of issued and fully paid-up Shares on the entitlement date;

C = C as in Bylaw 15.3(c) above;

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 Shares under an offer or invitation to acquire or subscribe for Shares by way of rights;

I = the subscription price 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;

I\* = the subscription price of one (1) additional Share under the offer or invitation to acquire or subscribe for Shares;

B = B as in Bylaw 15.3(b) above; and

T = T as in Bylaw 15.3(a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for such issue.

- (e) If and whenever the Company makes any offer or invitation to its shareholders to acquire or subscribe for Shares as provided in Bylaw 15.3(c)(2) above together with an offer or invitation to acquire or subscribe for securities convertible into or rights to acquire or subscribe for shareholders as provided in Bylaw 15.3(c)(3) above, the Subscription Price shall 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 additional new Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of additional Shares} = \left( T \times \frac{(G + H^*) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

G = G as in Bylaw 15.3(d) above;

C = C as in Bylaw 15.3(c) above;

H = H as in Bylaw 15.3(d) above;

H\* = H\* as in Bylaw 15.3(d) above;

I = I as in Bylaw 15.3(d) above;

I\* = I\* as in Bylaw 15.3(d) 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;

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

T = T as in Bylaw 15.3(a) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

- (f) If and whenever the Company makes an allotment to its shareholders as provided in Bylaw 15.3(b) above and also makes an offer or invitation to acquire or subscribe for Shares to its shareholders as provided in Bylaw 15.3(c)(2) above, together with rights to acquire or subscribe for securities convertible into or with rights to acquire or subscribe for Shares as provided in Bylaw 15.3(c)(3) above, and the Entitlement Date for the purpose of allotment is also the Entitlement Date for the purpose of the offer or invitation, the Subscription Price shall 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 additional new Shares relating to the ESOS Option to be issued shall be calculated as follows:

$$\text{Number of additional Shares} = T \times \left( \frac{(G + H^* + B) \times C}{(G \times C) + (H^* \times I^*)} \right) - T$$

Where:

G = G as in Bylaw 15.3(d) above;

C = C as in Bylaw 15.3(c) above;

H = H as in Bylaw 15.3(d) above;

H\* = H\* as in Bylaw 15.3(d) above

I = I as in Bylaw 15.3(d) above;

I\* = I\* as in Bylaw 15.3(d) above

J = J as in Bylaw 15.3(e) above;

T = T as in Bylaw 15.3(a) above;

K = K as in Bylaw 15.3(e) above; and

B = B as in Bylaw 15.3(b) above.

Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the Entitlement Date for the above transactions.

- (g) If and whenever (otherwise than pursuant to a rights issue available to all shareholders and requiring an adjustment under Bylaws 15.3(c)(2), (c)(3), (d), (e) or (f) above), the Company shall 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 percent (90%) of the Average Price for one (1) Share (as defined below) 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 Subscription Price shall 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 Bursa Securities on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;
- M = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at the Average Price (as defined below) (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 adjustments of such rights) of Shares issuable upon full conversion of such securities or the exercise in full of such rights.

For the purpose of Bylaws 15.3(g), “**Total Effective Consideration**” shall be determined by the Board with the concurrence of the Auditor and shall be:

- (i) In case of the issue of Shares, the aggregate consideration receivable by the Company on payment in full for such Shares; or
- (ii) 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
- (iii) 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 commission, discount or expense paid, allowed or incurred in connection with the issue thereof, and the “Total Effective Consideration per Share” shall be the Total Effective Consideration divided by the number of new Shares issued as aforesaid or, in the case of securities convertible into new Shares or securities with rights to acquire or subscribe for new Shares, by the maximum number of new Shares issuable on full conversion of such securities or on exercise in full of such rights.

For the purpose of Bylaw 15.3(g), “**Average Price**” of a Share shall be the average market price of one (1) Share as derived from the last traded prices for one or more board lots of Shares as quoted on Bursa Securities on the Market Days comprised in the period used as a basis upon which the issue price of such Shares is determined.



Such adjustment will be calculated (if appropriate retroactively) from the close of business on Bursa Securities on the Market Day immediately following the date on which the issue is announced, or (failing any such announcement) on the Market Day immediately following the date on which the Company determines the subscription price of such Shares. Such adjustment will be effective (if appropriate retroactively) from the commencement of the Market Day immediately following the completion of the above transaction.

- (h) For the purpose of Bylaw 15.3(c), (d), (e) and (f), the current market price in relation to one (1) existing Share for any relevant day shall be the average of the last traded prices for the five (5) consecutive Market Days before such date or during such other period as may be determined in accordance with any guidelines issued, from time to time, by the relevant authorities.

Such adjustments must be confirmed in writing by the Auditors of the Company for the time being (acting as experts and not as arbitrators), upon reference to them by the ESOS Committee, to be in their opinion, fair and reasonable, PROVIDED ALWAYS THAT:

- (a) no adjustment to the Subscription Price shall be made which would result in the new Shares to be issued on the exercise of the ESOS Option being issued at a discount to par value, and if such an adjustment would but for this provision have so resulted, the Subscription Price payable shall be the par value of the new Shares;
- (b) upon any adjustment being made pursuant to this Bylaw, the ESOS Committee shall, within thirty (30) days of the effective date of the alteration in the capital structure of the Company, notify the Grantee (or his legal or personal representatives where applicable) in writing informing him of the adjusted Subscription Price thereafter in effect and/or the revised number of new Shares thereafter to be issued on the exercise of each ESOS Option; and
- (c) any adjustments made must be in compliance with the provisions for adjustment as provided in these Bylaws.

Notwithstanding the foregoing, any adjustments to the Subscription Price and/or the number of new Shares comprised in each ESOS Option so far as unexercised arising from bonus issues, need not be confirmed in writing by the Auditors of the Company.

15.4 Save as expressly provided for herein, the Auditors must confirm in writing that the adjustments are in their opinion fair and reasonable. The opinion of the Auditors shall be final, binding and conclusive.

15.5 The provisions of this Bylaw 15 shall not be applicable where an alteration in the capital structure of the Company arises from any of the following:

- (a) An issue of Shares pursuant to the exercise of ESOS Options under the Scheme; or
- (b) An issue of securities as consideration for an acquisition; or
- (c) An issue of securities as a private placement; or
- (d) An issue of securities as a special issue approved by the relevant governmental authorities; or
- (e) A restricted issue of securities; or
- (f) An issue of further ESOS Options to Eligible Persons under these Bylaws; or

- (g) An issue of warrants, convertible loan stocks or other instruments by the Company which give a right of conversion into the Shares arising from the conversion of such securities including warrants and convertible loan stocks; or
- (h) A purchase by the Company of its own Shares pursuant to Section 67A of the Act. In this event, the following provisions shall apply:
  - (i) If the number of Shares in respect of ESOS Options granted by the Company as at the date of designation of the Shares so purchased as treasury Shares or cancellation of such Shares is greater than 10% of the issued capital of the Company after such designation or cancellation, the ESOS Committee shall not make any further Offers up-till such time, if any (occurring during the remainder of the Option Period), as the provisions of Bylaw 4.2 above are once again satisfied; and
  - (ii) If the number of Shares in respect of ESOS Options granted by the Company as at the date of designation of the Shares so purchased as treasury Shares or cancellation of such Shares is less than 10% of the issued capital of the Company after such designation or cancellation, the ESOS Committee may make further Offers only until the total number of Shares in respect of ESOS Options granted by the Company is equivalent to 15% of the issued capital of the Company after such designation or cancellation.

15.6 In the event that the Company enters into any scheme of arrangement or reconstruction pursuant to Part VII of the Act, Bylaw 15.1 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 Bylaw 15.1 is applicable, but Bylaw 15.1 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 Bylaw 15.1 is not applicable as described in Bylaw 15.5.

15.7 An adjustment pursuant to Bylaw 15.1 shall be made according to the following terms:

- (a) In the case of a rights issue, bonus issue or other capitalisation issue, on the Market Day immediately following the Entitlement Date 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.

## **16. TAKE-OVER, OFFER, SCHEME OF ARRANGEMENT, AMALGAMATION, RECONSTRUCTION, ETC**

16.1 In the event of an offer being made for Salcon Shares under the Securities Commission Act, 1993 and the Malaysian Code on Take-Overs and Mergers, 1998 and such offer being declared unconditional, the following provisions shall apply:

- (a) A Grantee shall be entitled to exercise all or any of the ESOS Options held by him as at the date of such offer being declared unconditional, within a period of six (6) months after such date and in accordance with the provisions of Bylaw 10.4. In the event that the Grantee elects not to so exercise some or all of the ESOS Options held by him, the unexercised ESOS Options shall be automatically terminated on the expiry of the said period of six (6) months; and

- (b) If during the said period of six (6) months, the offeror becomes entitled or bound to exercise rights of compulsory acquisition in respect of the Salcon Shares under the provisions of the Securities Commission Act, 1993 and gives notice to the Grantee that he intends to exercise such rights on a specific date (“**Specified Date**”), the Grantee shall be entitled to exercise all or any of the ESOS Options held by him until the expiry of the said period of six (6) months or the Market Day immediately preceding the Specified Date, whichever is the earlier, and in accordance with the provisions of Bylaw 10.4. In the event that the Grantee elects not to so exercise some or all of the ESOS Options held by him, the unexercised ESOS Options shall be automatically terminated on the expiry of the said period of six (6) months or on the Specified Date, whichever is the earlier.
- 16.2 In the event the court has sanctioned a compromise or arrangement between the Company and its members for the purpose of, or in connection with, a scheme for reconstruction of the Company or amalgamation with any other company or companies under the provisions of the Act, then the Grantee shall immediately become entitled in the period up to but excluding the date upon which such compromise or arrangement becomes effective, to exercise in whole or in part his ESOS Options. All unexercised ESOS Options held by a Grantee shall be automatically terminated on the date upon which such compromise or arrangement becomes effective.
- 16.3 For the avoidance of doubt, the limits on the exercise of ESOS Options stipulated in Bylaw 10.1 shall not apply in respect of Bylaws 16.1(a), 16.1(b) and 16.2 above.

## **17. DIVESTMENT FROM THE GROUP, ETC**

- 17.1 In the event that a company within the Group shall be divested from the Group, a Grantee who is employed by such company:
  - (a) Shall be entitled to continue to hold and to exercise all the ESOS Options held by him within a period of one (1) year from the date of completion of such divestment or before the Date of Expiry, whichever expires first, and in accordance with the provisions of Bylaw 10.4. In this instance, the limits on the exercise of ESOS Options stipulated in Bylaw 10.1 shall not apply. In the event that the Grantee does not so exercise some or all of such ESOS Options, the unexercised ESOS Options shall be automatically terminated upon the expiry of the relevant period; and
  - (b) Shall no longer be eligible to participate for further ESOS Options under the Scheme as from the date of completion of such divestment.
- 17.2 For the purposes of Bylaw 17.1, a company shall be deemed to be divested from the Group or disposed off from the Group in the event that such company would no longer be a subsidiary of the Company pursuant to Section 5 of the Act.

## **18. TRANSFERS TO COMPANIES NOT WITHIN THE GROUP**

- 18.1 Notwithstanding Bylaw 14, in the event a Grantee who is employed by a company within the Group is transferred from such company to another company which is not a subsidiary within the meaning of these Bylaws or seconded to another organisation, the Grantee shall be entitled to:
  - (a) continue to enjoy his rights in any unvested Salcon Shares; and
  - (b) exercise any unexercised ESOS Options;upon the same terms and conditions as set out in the Offer as if the Grantee is still in employment within the Group, unless determined otherwise by the ESOS Committee at its discretion.

## 19. WINDING UP

All outstanding ESOS Options shall be automatically terminated in the event that a resolution is passed or a court order is made for the winding up of the Company.

## 20. DURATION, TERMINATION AND EXTENSION OF SCHEME

- 20.1 The Scheme shall come into force on the Effective Date. The Scheme shall be in force for a duration of five (5) years from the Effective Date subject however to any extension of the Scheme as provided under Bylaw 20.3 below. The date of expiry of the Scheme shall be at the end of the five (5) years from the Effective Date or, if the Scheme shall be extended, shall be the date of expiry as so extended (“**Date of Expiry**”).
- 20.2 Offers can only be made during the duration of the Scheme before the Date of Expiry.
- 20.3 The Scheme may be extended for a further period of up to a maximum of five (5) years at the discretion of the Board upon the recommendation of the ESOS Committee. Any extended Scheme under this provision shall be implemented in accordance with the terms of these Bylaws, subject however to any revisions and/or changes to the relevant laws and/or regulations currently in force. Unless otherwise required by the relevant authorities, no further approvals shall be required for the extension of the Scheme PROVIDED THAT the Company shall serve appropriate notices on each Grantee and make any announcements to Bursa Securities (if required).
- 20.4 Notwithstanding anything to the contrary, all unexercised ESOS Options shall lapse on the Date of Expiry.
- 20.5 Subject to the approval of the relevant authorities including Bursa Securities (if required) and compliance with the requirements of the relevant authorities and the written consent of the Grantees who have yet to exercise their ESOS Options, either in part or in whole, the Company in general meeting may, at any time, subject to the shareholders’ approval, by ordinary resolution terminate the Scheme. In this event, the following provisions shall apply:
- (a) No further Offers shall be made by the ESOS Committee from the date of such resolution;
  - (b) All Offers which have yet to be accepted by Eligible Persons shall automatically lapse on the date of such resolution; and
  - (c) All outstanding ESOS Options which have yet to be exercised by Grantees shall be automatically terminated on the date of such resolution.
- 20.6 In seeking to obtain the approval of Bursa Securities (if required) and the approval of the shareholders of the Company for the termination of the Schemes as set out in Bylaw 20.5, the Company must provide sufficient information on the following:
- (a) reasons for the termination (whether or not the reasons are specified herein);
  - (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.

## 21. SUBSEQUENT EMPLOYEE SHARE OPTION SCHEME

Subject to the approval of the relevant authorities (if required) and compliance with the requirements of the relevant authorities, the Company may establish a new employee share option scheme after the Date of Expiry or after the termination of the Scheme pursuant to Bylaw 20.5 herein.

**22. ADMINISTRATION**

- 22.1 The Scheme shall be administered by the ESOS Committee. The ESOS Committee shall, subject to these Bylaws, administer the Scheme in such manner as it shall think fit.
- 22.2 Without limiting the generality of Bylaw 22.1, the ESOS Committee may, for the purpose of administering the Scheme, do all acts and things, rectify any errors in Offers, execute all documents and delegate any of its powers and duties relating to the Scheme as it may in its discretion consider to be necessary or desirable for giving effect to the Scheme.
- 22.3 The Board shall have power at any time and from time to time to rescind the appointment of any person appointed to the ESOS Committee as it shall deem fit.

**23. MODIFICATIONS, VARIATIONS AND/OR AMENDMENTS TO THE SCHEME**

The ESOS Committee may at any time and from time to time recommend to the Board any additions, modifications or amendments or deletions to the Bylaws as it shall in its discretion think fit and the Board shall have the power at any time and from time to time by resolution to add to, amend, modify and/or delete all or any of these Bylaws upon such recommendation PROVIDED THAT no additions, modifications or amendments or deletions to the Bylaws shall be made which will:

- (a) Prejudice any rights then accrued to any Grantee without the prior consent or sanction of that Grantee; or
- (b) Prejudice any rights of the shareholders of the Company without the prior approval of the Company's shareholders in a general meeting; or
- (c) Alter to the advantage to the Grantee, the provisions of the Bylaws 4.2, 4.3, 5.1, 6.1, 6.3, 8.1, 11, 12, 15, 20.1 and 20.3 of the Scheme without the prior approval of the Company's shareholders in general meeting.

**24. INSPECTION OF ACCOUNTS**

All Grantees are entitled to inspect the latest annual report of the Company at the registered office of the Company during normal business hours on any working day.

**25. SCHEME NOT A TERM OF EMPLOYMENT**

This Scheme shall not confer or be construed to confer on an Eligible Person any special rights or privileges over the Eligible Person's terms and conditions of employment in the Group under which the Eligible Person is employed nor any rights additional to any compensation or damages that the Eligible Person may be normally entitled to arising from the cessation of such employment. The Scheme shall not form part of or constitute or be in any way construed as a term or condition of employment of any employee of the Group.

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## **26. NO COMPENSATION FOR TERMINATION**

No Employee shall be entitled to any compensation for damages arising from the termination of any ESOS Options or this Scheme pursuant to the provisions of these Bylaws. Notwithstanding any provision of these Bylaws:

- (a) this Scheme shall not form part of any contract of employment between the Company or any company within the Group and any Eligible Person of any company of the Group. The rights of any Eligible Person under the terms of his office and/or employment with any company within the Group shall not be affected by his participation in the Scheme, nor shall such participation or the Offer or consideration for the Offer afford such Eligible Person any additional rights to compensation or damages in consequence of the termination of such office or employment for any reason;
- (b) this Scheme shall not confer on any person or any legal or equitable right or other rights under any other theory of law (other than those constituting the ESOS Options) against the Company or any company of the Group, directly or indirectly, or give rise to any course of action in law or in equity or under any other theory of law against any company within the Group;
- (c) no Grantee or his representatives shall bring any claim, action or proceeding against any company of the Group, the ESOS Committee or any other party for compensation, loss or damages whatsoever and howsoever arising from the suspension/cancellation of his rights/exercise of his ESOS Options or his rights/ESOS Options ceasing to be valid pursuant to the provisions of these Bylaws; and
- (d) the ESOS Committee or any other party shall in no event be liable to the Grantee or his representative or any other person or entity for any third party claim, loss of profits, loss of opportunity, loss of savings or any punitive, incidental or consequential damage, including without limitation lost profits or savings, directly or indirectly arising from the breach or performance of these Bylaws or any loss suffered by reason of any change in the price of the Shares or from any other cause whatsoever whether known or unknown, contingent, absolute or otherwise, whether based in contract, tort, equity, indemnity, breach of warranty or otherwise and whether pursuant to common law, statute, equity or otherwise, even if any company of the Group, the ESOS Committee or any other party has been advised of the possibility of such damage.

## **27. DISPUTES**

In case any dispute or difference shall arise between the ESOS Committee and an Eligible Person or a Grantee, as the case may be, as to any matter of any nature arising hereunder, then the ESOS Committee shall determine such dispute or difference by a written decision (without the obligation to give any reason thereof) given to the Eligible Person or Grantee, as the case may be. In the event the Eligible Person or Grantee, as the case may be, shall dispute the same by written notice to the ESOS Committee within fourteen (14) days of the receipt of the written decision, then such dispute or difference shall be referred to the Board, whose decision shall be final and binding in all respects, provided that any Director of the Company who is also in the ESOS Committee shall abstain from voting and no person shall be entitled to dispute any decision or certification which is stated to be final and binding under these Bylaws.

## **28. COSTS AND EXPENSES**

All fees, costs and expenses incurred in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment and/or transfer of the Salcon Shares pursuant to the exercise of ESOS Options, shall be borne by the Company.

**29. ARTICLES OF ASSOCIATION**

In the event of a conflict between any of the provisions of these Bylaws and the Articles of Association of the Company, the Articles of Association of the Company shall prevail.

**30. TAXES**

All taxes (including income tax), if any, arising from the transfer, issuance and allotment of Shares under the Scheme shall be borne by the Grantee.

**31. NOTICE**

31.1 Any notice or request which the Company is required to give, or may desire to give, to any Eligible Person or the Grantee pursuant to the Scheme shall be in writing and shall be deemed to be sufficiently given:

- (a) if it is sent by ordinary post by the Company to the Eligible Person or the Grantee at the last address known to the Company as being his/her address, such notice or request shall be deemed to have been received three (3) Market Days after posting;
- (b) if it is delivered by hand to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received on the date of delivery;
- (c) if it is sent by electronic media, including but not limited to electronic mail, to the Eligible Person or the Grantee, such notice or request shall be deemed to have been received upon confirmation or notification received after the sending of notice or request by the Company.

Any change of address of the Eligible Person or the Grantee shall be communicated in writing to the Company.

31.2 Where any notice which the Company or the ESOS Committee is required to give, or may desire to give, in relation to matters which may affect all the Eligible Persons or the Grantee (as the case may be) pursuant to the Scheme, the Company or the ESOS Committee may give such notice through an announcement to all employees of the Group to be made in such manner deemed appropriate by the ESOS Committee (including via electronic media).

**32. SEVERABILITY**

Any term, condition, stipulation or provision in these Bylaws which is illegal, void, prohibited or unenforceable shall be ineffective to the extent of such illegality, voidness, prohibition or unenforceability without invalidating the remaining provisions hereof, and any such illegality, voidness, prohibition or unenforceability shall not invalidate or render illegal, void or unenforceable any other term, condition, stipulation or provision herein contained.

**33. GOVERNING LAW AND JURISDICTION**

33.1 These Bylaws shall be governed and construed in accordance with the laws of Malaysia and the Eligible Person and/or Grantee shall submit to the exclusive jurisdiction of the courts of Malaysia in all matters connected with the obligations and liabilities of the parties hereto under or arising out of these Bylaws.

33.2 Any proceeding or action shall be instituted or taken in Malaysia and the Eligible Person and/or Grantee irrevocably and unconditionally waives any objection on the ground of venue or forum non-convenience or any other grounds.

## FURTHER INFORMATION

### 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular 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 material facts the omission of which would make any statement herein misleading.

### 2. CONSENTS

MIMB has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

### 3. DECLARATIONS

To the best of MIMB's knowledge and belief, MIMB is not aware of any other potential conflict of interest that exists or is likely to exist in respect of its role as the Adviser to the Company for the Proposed ESOS in this Circular.

However, MIMB wishes to highlight that EBB, the holding company of MIMB, has extended various banking facilities to the Group with a limit of up to approximately RM88,398,000 comprising overdraft, revolving credit, standby letter of credit, letter of credit, trust receipt, bankers' acceptance, bank guarantee, shipping guarantee, foreign exchange contract line and hire purchase. As at 3 May 2010, the outstanding balance of the said banking facilities amounted to approximately RM49,413,000.

Despite the aforesaid banking facilities provided by EBB, the relationship between EBB and the Group does not give rise to a material conflict of interest situation due to the following reasons:

- (a) MIMB is required to comply strictly with regulated policies and guidelines issued by the relevant authorities such as the SC, Bursa Securities and Bank Negara Malaysia;
- (b) MIMB's role as the Adviser for the Proposed ESOS has been carried out professionally and objectively in accordance with the relevant terms of the due diligence planning memorandum. The due diligence processes and the verification exercises (which were participated by the Board, senior management of Salcon, the Solicitors and MIMB and other advisers) have been duly undertaken and performed in relation to the preparation of relevant documents relating to the Proposed ESOS; and
- (c) The Proposed ESOS involves an offer of securities only to Eligible Persons of the Salcon Group.

### 4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, Salcon and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as a plaintiff or defendant, and the Directors of Salcon do not have any knowledge of any proceedings pending or threatened against Salcon or its subsidiaries or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of Salcon and its subsidiaries.



**5. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save as disclosed below, there are no material commitments and contingent liabilities incurred or known to be incurred by Salcon as at the LPD: -

	<b>RM'000</b>
<u>Contingent Liabilities</u>	
Corporate guarantees given to financial institutions for credit facilities granted to its subsidiaries	<u>508,295</u>

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for inspection at the registered office of Salcon at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, Malaysia during normal business hours from the date of this Circular up to and including the date of the EGM:

- (a) Memorandum and Articles of Association of Salcon;
- (b) the letter of consent referred to in Section 2 above;
- (c) the audited consolidated financial statements of the Salcon Group for the past two (2) financial years ended 31 December 2008 and 2009 and the unaudited financial statements of the Salcon Group for the three (3)-month financial period ended 31 March 2010; and
- (d) the draft Bylaws governing the Proposed ESOS.

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**SALCON BERHAD**

(Company No.: 593796-T)

(Incorporated in Malaysia under the Companies Act, 1965)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“EGM”) of Salcon Berhad (“**Salcon**” or the “**Company**”) will be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2010 at 11.45 a.m., or immediately after the conclusion of the Company’s Seventh Annual General Meeting (which will be held at the same venue on the same day at 10.30 a.m.), whichever is earlier, or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolutions, with or without any modifications:

**ORDINARY RESOLUTION 1**

**PROPOSED ESTABLISHMENT OF AN EMPLOYEES’ SHARE OPTION SCHEME (“ESOS”) INVOLVING THE ISSUANCE OF NEW ORDINARY SHARES OF RM0.50 EACH IN SALCON REPRESENTING UP TO FIFTEEN PER CENTUM (15%) OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SALCON TO ELIGIBLE DIRECTORS AND EMPLOYEES OF SALCON AND ITS SUBSIDIARY COMPANIES (“PROPOSED ESOS”)**

“**THAT** subject to the provisions under the Companies Act, 1965 (the “**Act**”) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Main Market Listing Requirements**”) and the approvals of the relevant authorities being obtained for the Proposed ESOS, approval be and is hereby given to the Company to:

- (a) establish and administer the Proposed ESOS which involves the granting of ESOS options to all eligible employees of Salcon and its subsidiaries (“**Salcon Group**” or the “**Group**”) including Executive Directors of the Company and its subsidiaries (save for subsidiaries which are dormant) who meet the criteria of eligibility for participation of the Proposed ESOS (“**Eligible Persons**”) as set out in the Bylaws, a draft of which is set out in Appendix I of the Circular to Salcon shareholders dated 1 June 2010 (“**Bylaws**”);
- (b) allot and issue such number of new ordinary shares of RM0.50 each (“**Salcon Shares**”) to the Eligible Persons from time to time as may be required in connection with the implementation of the Proposed ESOS while this approval is in force provided that the aggregate number of Salcon Shares to be allotted and issued shall not exceed fifteen percent (15%) of the issued and paid-up share capital of the Company at any one time throughout the duration of the Proposed ESOS subject always to the following:
  - (i) not more than fifty per centum (50%) of the total number of Salcon Shares to be issued under the Proposed ESOS shall be allocated, in aggregate, to Directors and senior management of the Salcon Group; and
  - (ii) not more than ten per centum (10%) of the total number of Salcon Shares to be issued under the Proposed ESOS would be allocated to any one Eligible Person, who either singly or collectively through person(s) connected with him/her holds twenty per centum (20%) or more of the issued and paid-up share capital of Salcon (excluding treasury shares);

- (c) make necessary applications, and to do all things necessary at the appropriate time or times, to Bursa Securities for the listing of and quotation for and for permission to deal with the new Salcon Shares which may from time to time be allotted and issued pursuant to the Proposed ESOS. Such new Salcon Shares will, upon allotment and issuance, rank pari passu in all respects with the then existing issued and paid-up shares of the Company and will be subject to all the provisions of the Articles of Association of the Company (including those relating to transfer and transmission);
- (d) modify and/or amend the Proposed ESOS from time to time provided that such modifications and/or amendments are effected in accordance with the Bylaws relating to modifications and/or amendments and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Proposed ESOS;
- (e) extend the duration of the Proposed ESOS for a maximum period of an additional five (5) years (the duration of the Proposed ESOS would then be for a total period of ten (10) years from the effective date of the Proposed ESOS), if the Board of Directors of Salcon deems fit;

**AND THAT** the Directors of the Company be and are hereby authorised to give effect to the Proposed ESOS with full power to modify and/or amend the Bylaws from time to time as may be required or deemed necessary in accordance with the provisions of the Bylaws relating to amendments and/or modifications and to assent to any condition, variation, modification and/or amendment as may be necessary or expedient and/or imposed by and/or agreed with the relevant authorities.”

## **ORDINARY RESOLUTION 2**

### **PROPOSED GRANTING OF OPTIONS TO DATO’ TEE TIAM LEE**

“**THAT**, subject to the passing of Ordinary Resolution 1 above and for so long as this approval remains in force, approval be and is hereby given to the ESOS Committee appointed by the Board of Directors of the Company to administer the Proposed ESOS of the Company, at any time, and from time to time, to offer and grant to Dato’ Tee Tiam Lee, being the Executive Deputy Chairman of the Company, options to subscribe for such number of new Salcon Shares under the Proposed ESOS, and to allot and issue such number of new Salcon Shares to him upon exercise of the options, subject always to:

- (i) the number of Salcon Shares allocated, in aggregate to the Directors and senior management of the Company and/or its subsidiaries (other than a company which is dormant) does not exceed fifty per centum (50%) of the total Salcon Shares available under the Salcon’s ESOS scheme as set out herein and governed by the Bylaws (“**Scheme**”);
- (ii) the number of Salcon Shares allocated to any individual eligible director or eligible employee who either singly or collectively through his associates or persons connected with the eligible director or eligible employee (as defined in the Companies Act, 1965) holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company, does not exceed ten per centum (10%) of the total Salcon Shares available under the Scheme; and

such terms and conditions of the Proposed ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the Proposed ESOS.”

## **ORDINARY RESOLUTION 3**

### **PROPOSED GRANTING OF OPTIONS TO HOW SEE HOCK**

“**THAT**, subject to the passing of Ordinary Resolution 1 above and for so long as this approval remains in force, approval be and is hereby given to the ESOS Committee appointed by the Board of Directors of the Company to administer the Proposed ESOS of the Company, at any time, and from time to time, to offer and grant to How See Hock, being the Chief Executive Officer of the Company, options to subscribe for such number of new Salcon Shares under the Proposed ESOS, and to allot and issue such number of new Salcon Shares to him upon exercise of the options, subject always to:

- (i) the number of Salcon Shares allocated, in aggregate to the Directors and senior management of the Company and/or its subsidiaries (other than a company which is dormant) does not exceed fifty per centum (50%) of the total Salcon Shares available under the Scheme;

- (ii) the number of Salcon Shares allocated to any individual eligible director or eligible employee who either singly or collectively through his associates or persons connected with the eligible director or eligible employee (as defined in the Companies Act, 1965) holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company, does not exceed ten per centum (10%) of the total Salcon Shares available under the Scheme; and

such terms and conditions of the Proposed ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the Proposed ESOS.”

#### **ORDINARY RESOLUTION 4**

##### **PROPOSED GRANTING OF OPTIONS TO DATO’ LEONG KOK WAH**

“**THAT**, subject to the passing of Ordinary Resolution 1 above and for so long as this approval remains in force, approval be and is hereby given to the ESOS Committee appointed by the Board of Directors of the Company to administer the Proposed ESOS of the Company, at any time, and from time to time, to offer and grant to Dato’ Leong Kok Wah, being the Executive Director of the Company, options to subscribe for such number of new Salcon Shares under the Proposed ESOS, and to allot and issue such number of new Salcon Shares to him upon exercise of the options, subject always to:

- (i) the number of Salcon Shares allocated, in aggregate to the Directors and senior management of the Company and/or its subsidiaries (other than a company which is dormant) does not exceed fifty per centum (50%) of the total Salcon Shares available under the Scheme;
- (ii) the number of Salcon Shares allocated to any individual eligible director or eligible employee who either singly or collectively through his associates or persons connected with the eligible director or eligible employee (as defined in the Companies Act, 1965) holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company, does not exceed ten per centum (10%) of the total Salcon Shares available under the Scheme; and

such terms and conditions of the Proposed ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the Proposed ESOS.”

#### **ORDINARY RESOLUTION 5**

##### **PROPOSED GRANTING OF OPTIONS TO JAGGIT SINGH A/L TARA SINGH**

“**THAT**, subject to the passing of Ordinary Resolution 1 above and for so long as this approval remains in force, approval be and is hereby given to the ESOS Committee appointed by the Board of Directors of the Company to administer the Proposed ESOS of the Company, at any time, and from time to time, to offer and grant to Jaggit Singh a/l Tara Singh, being the Executive Director of the Company, options to subscribe for such number of new Salcon Shares under the Proposed ESOS, and to allot and issue such number of new Salcon Shares to him upon exercise of the options, subject always to:

- (i) the number of Salcon Shares allocated, in aggregate to the Directors and senior management of the Company and/or its subsidiaries (other than a company which is dormant) does not exceed fifty per centum (50%) of the total Salcon Shares available under the Scheme;
- (ii) the number of Salcon Shares allocated to any individual eligible director or eligible employee who either singly or collectively through his associates or persons connected with the eligible director or eligible employee (as defined in the Companies Act, 1965) holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company, does not exceed ten per centum (10%) of the total Salcon Shares available under the Scheme; and

such terms and conditions of the Proposed ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the Proposed ESOS.”

## **ORDINARY RESOLUTION 6**

### **PROPOSED GRANTING OF OPTIONS TO TEE XUN HAO**

“**THAT**, subject to the passing of Ordinary Resolution 1 above and for so long as this approval remains in force, approval be and is hereby given to the ESOS Committee appointed by the Board of Directors of the Company to administer the Proposed ESOS of the Company, at any time, and from time to time, to offer and grant to Tee Xun Hao, being a person connected to Dato’ Tee Tiam Lee, the Executive Deputy Chairman of the Company, options to subscribe for such number of new Salcon Shares under the Proposed ESOS, and to allot and issue such number of new Salcon Shares to him upon exercise of the options, subject always to:

- (i) the number of Salcon Shares allocated, in aggregate to the Directors and senior management of the Company and/or its subsidiaries (other than a company which is dormant) does not exceed fifty per centum (50%) of the total Salcon Shares available under the Scheme;
- (ii) the number of Salcon Shares allocated to any individual eligible director or eligible employee who either singly or collectively through his associates or persons connected with the eligible director or eligible employee (as defined in the Companies Act, 1965) holds twenty per centum (20%) or more of the issued and paid-up share capital of the Company, does not exceed ten per centum (10%) of the total Salcon Shares available under the Scheme; and

such terms and conditions of the Proposed ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the Bylaws governing and constituting the Proposed ESOS.”

### **BY ORDER OF THE BOARD**

**Ng Yen Hoong (LS 008016)**  
**Lim Poh Yen (MAICSA 7009475)**  
Company Secretaries

**Kuala Lumpur**  
1 June 2010

#### *Notes:*

1. *A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation’s seal or under the hand of an officer or attorney duly authorised.*
4. *The instrument appointing a proxy must be deposited at the Registered Office at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.*



**Proxy Form**

I/We.....  
(FULL NAME IN BLOCK LETTERS)

of.....  
(ADDRESS)

being a member(s) of **SALCON BERHAD** hereby appoint.....

.....  
(FULL NAME IN BLOCK LETTERS)

Of.....  
(ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Extraordinary General Meeting of the Company to be held at Classics Ballroom 2, Level 3, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2010 at 11.45 a.m., or immediately after the conclusion of the Company's Seventh Annual General Meeting (which will be held at the same venue on the same day at 10.30 a.m.), whichever is earlier, or at any adjournment thereof.

Resolutions	*For	*Against
1. <b>Ordinary Resolution 1</b> Proposed ESOS		
2. <b>Ordinary Resolution 2</b> Proposed granting of options to Dato' Tee Tiam Lee		
3. <b>Ordinary Resolution 3</b> Proposed granting of options to How See Hock		
4. <b>Ordinary Resolution 4</b> Proposed granting of options to Dato' Leong Kok Wah		
5. <b>Ordinary Resolution 5</b> Proposed granting of options to Jaggit Singh a/l Tara Singh		
6. <b>Ordinary Resolution 6</b> Proposed granting of options to Tee Xun Hao		

(\*Please indicate with 'X' in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

Dated this ..... day of ..... 2010

**Number of shares held:**

If more than 1 proxy, please specify number of shares represented by each proxy  
**Proxy 1:**  
**Proxy 2:**

.....  
**Signature of Shareholder(s) or Common Seal**

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.



Fold this flap for sealing

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Then fold here

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AFFIX  
STAMP

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

1st fold here

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