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SALCON BERHAD (593796-T)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PROPOSED SHARE BUY-BACK

The above proposal will be tabled as Special Business at the Eleventh Annual General Meeting ("AGM") of Salcon Berhad ("Salcon" or "Company"). The Notice of the Eleventh AGM of Salcon 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 Thursday, 26 June 2014 at 10.30 a.m. or any adjournment thereof, together with the Form of Proxy are enclosed in the Annual Report 2013 of Salcon.

You are entitled to attend and vote at the AGM of the Company or to appoint a proxy or proxies to attend and vote on your behalf. The Form of Proxy must be completed and lodged at the Registered Office of the Company at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on or before the date and time indicated below should you be unable to attend the meeting. The lodging of the Form of Proxy 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 Form of Proxy : Tuesday, 24 June 2014, 10.30 a.m.

This Circular is dated 4 June 2014

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

Salcon or Company	:	Salcon Berhad (593796-T)
Salcon Group or Group	:	Salcon and its subsidiaries
Salcon Share(s) or Share(s)	:	Ordinary share(s) of RM0.50 each fully paid-up in Salcon
Act	:	Companies Act, 1965
AGM	:	Annual General Meeting
Annual Report 2013	:	Annual Report of Salcon for the financial year ended 31 December 2013
Board	:	Board of Directors of Salcon
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Circular	:	Circular to Shareholders dated 4 June 2014 in relation to Proposed Share Buy-Back
CMSA	:	Capital Markets and Services Act, 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Directors	:	Shall have the meaning given in Section 2(1) of the CMSA
EPS	:	Earnings per share
ESOS	:	Employees' Share Option Scheme of Salcon
Listing Requirements	:	Bursa Securities Main Market Listing Requirements and amendments thereof
LPD	:	23 May 2014, being the latest practicable date prior to the printing of this Circular
Market Day	:	A day on which the stock market of Bursa Securities is open for trading of securities
Minimum Scenario	:	Assumes that none of the 11,247,050 ESOS options, which are exercisable as at the LPD, are exercised into new Shares, prior to the implementation of the Proposed Share Buy-Back
Maximum scenario	:	Assumes that all of the 11,247,050 ESOS options, which are exercisable as at the LPD, are exercised into new Shares prior to the implementation of the Proposed Share Buy-Back
NA	:	Net assets
Proposed Share Buy-Back	:	Proposed purchase by Salcon of its own shares on Bursa Securities of up to ten per centum (10%) of issued and paid-up share capital of Salcon
Purchased Shares	:	Salcon Shares purchased by the Company pursuant to the Proposed Share Buy-Back
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
Substantial Shareholder	:	has the meaning given in section 69D of the Companies Act, 1965

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SALCON BERHAD (593796-T)
(Incorporated in Malaysia)

Registered Office:

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

4 June 2014

Board of Directors:

Dato' Seri (Dr.) Goh Eng Toon (*Chairman, Non Independent Non-Executive Director*)
Tan Sri Dato' Tee Tiam Lee (*Executive Deputy Chairman*)
Dato' Leong Kok Wah (*Executive Director*)
Dato' Dr. Freezailah bin Che Yeom (*Independent Non-Executive Director*)
Ho Tet Shin (*Independent Non-Executive Director*)
Dato' Choong Moh Kheng (*Independent Non-Executive Director*)

To: The Shareholders of Salcon Berhad

Dear Sir/Madam,

PROPOSED SHARE BUY-BACK

1. INTRODUCTION

On 23 May 2014, the Board announced to Bursa Securities that the Company intends to seek shareholders' approval at its Eleventh AGM on the Proposed Share Buy-Back.

The purpose of this Circular is to provide you with information on the Proposed Share Buy-Back and to seek your approval for the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming AGM of the Company. The Notice of the Eleventh AGM together with the Form of Proxy are enclosed in the Annual Report 2013, which is being sent to you together with this Circular.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK.

2. DETAILS OF THE PROPOSED SHARE BUY-BACK

The Company proposes to seek the authority and mandate from the shareholders of the Company to purchase the Company's ordinary shares at any time up to ten percent (10%) of the issued and paid-up share capital of the Company, subject to compliance with the provision of the Act, the Listing Requirements and/or any other relevant authorities.

The mandate from the shareholders for the Proposed Share Buy-Back will be effective immediately after the passing of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the Eleventh AGM of the Company to be convened and will continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following the Eleventh AGM at which the ordinary resolution for the Proposed Share Buy-Back was passed, at which time it will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) the authority is revoked or varied by ordinary resolution passed by the shareholders of Salcon in a general meeting;

whichever occurs first.

3. QUANTUM

The maximum number of ordinary shares which may be purchased by the Company shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company.

Assuming that none of the existing exercisable ESOS options as at LPD are exercised into Salcon Shares, the Company can purchase up to 66,724,065 Shares representing ten percent (10%) of the issued and paid-up share capital of Salcon of RM333,620,326 comprising 667,240,652 ordinary shares of RM0.50 each as at LPD.

In the event that all the existing exercisable ESOS options are exercised into Salcon Shares, the issued and paid-up share capital of Salcon will increase to RM339,243,851 comprising 678,487,702 ordinary shares of RM0.50 each. Consequently, the maximum number of Salcon Shares which the Company may purchase is 67,848,770.

However, the actual number of ordinary shares in Salcon to be purchased by the Company pursuant to the Proposed Share Buy-Back, the total amount of funds involved for each purchase and the time of the purchase(s) will depend on the market conditions and sentiments of the stock market, the availability of financial resources of the Company and the availability of the retained profits and/or share premium of the Company.

4. FUNDING

The funding for the Proposed Share Buy-Back will be from internally generated funds and/or borrowings or a combination of both and the maximum amount allocated for such transactions shall not exceed the aggregate balance standing in the retained profits and/or share premium account of the Company.

Based on the latest Audited Financial Statements of the Company for the financial year ended 31 December 2013 and the latest Unaudited Condensed Consolidated Statements of Financial Position as at 31 March 2014, the retained profits and the share premium account of the Company are as follows:-

	Audited	Unaudited
	As at 31 December 2013 RM'000	As at 31 March 2014 RM'000
Retained Profits	19,057	18,616
Share Premium	46,955	47,119

In the event that the Company purchases and holds its own shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment is not expected to have a material effect on the cash flow of the Company.

5. REGULATORY REQUIREMENTS

The Proposed Share Buy-Back is subject to the following requirements:-

- (a) The public shareholding spread of twenty-five percent (25%) of the issued and paid-up share capital of the Company is to be maintained at all times;
- (b) The purchase price of the Purchased Shares cannot be more than fifteen percent (15%) above the weighted average market price for Salcon Shares for the five (5) Market Days immediately prior to each purchase;
- (c) If the Purchased Shares are subsequently resold on Bursa Securities:-
 - (i) the selling price of the said Purchased Shares has to be not less than the weighted average market price of the Salcon Shares for the five (5) Market Days immediately prior to the resale; or
 - (ii) the discounted price of the Purchased Shares must not be more than five percent (5%) to the weighted average market price for the Salcon Shares for the five (5) Market Days immediately prior to the resale provided that:-
 - (aa) the resale takes place no earlier than thirty (30) days from the date of purchase; and
 - (bb) the resale price is not less than the cost of purchase of the Purchased Shares being resold.

6. TREATMENT OF SHARES PURCHASED

In accordance with Section 67A of the Act, the Company would be able to deal with any Salcon Shares so purchased by the Company in the following manner:-

- (a) the Shares so purchased could be cancelled; or
- (b) the Shares so purchased could be retained as treasury shares for distribution as share dividends to the shareholders of the Company, which then may be applied as a reduction of the share premium account of the Company, and/or be resold through stock market of Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
- (c) the Shares so purchased could in part be retained as treasury shares and in part be cancelled.

While the Purchased Shares are held as treasury shares, the rights attached to them in relation to voting, dividends and participation in any other distributions or otherwise will be suspended. The treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on the resolution at a meeting. The treasury shares may either be distributed as share dividends, resold on Bursa Securities in accordance with the Listing Requirements or subsequently cancelled.

As at the date of this Circular, the Board has yet to make a decision with regard to the treatment of the Purchased Shares and will take into consideration the effect of such treatment to the Salcon Group in arriving at its decision. In addition, an immediate announcement will be made to Bursa Securities upon each purchase, cancellation and/or resell of Shares pursuant to the Proposed Share Buy-Back.

7. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of the Company as at the LPD and the resulting public shareholding spread of the Company, assuming the Company purchases ten percent (10%) of its own issued and paid-up share capital, are as follows:-

	As at the LPD	After the Proposed Share Buy-Back	
		Minimum Scenario	Maximum Scenario
Public Shareholding Spread	67.82%	64.25%	64.05%

The Board is mindful of the requirement to maintain the public shareholding spread of at least twenty-five percent (25%) and will continue to be mindful of the requirement when making of any purchase of Salcon Shares pursuant to the Proposed Share Buy-Back.

8. IMPLICATIONS OF THE CODE

Pursuant to the Code, if the Proposed Share Buy-Back results in any one of the Directors and/or Substantial Shareholders and their respective parties acting in concert ("Affected Persons") obtain control in the Company or if his/their existing shareholdings is between 33% and 50% of the voting share or voting rights of the Company and as a result of the Proposed Share Buy-Back, increase(s) his/their holding of the voting shares or voting rights by more than 2% in any six (6) months period, the Affected Persons would be obliged to undertake a mandatory offer to acquire the remainder Salcon Shares not already owned by him/them pursuant to the Code. However, a waiver to undertake a mandatory offer may be granted by the SC under the Code, subject to the Affected Persons complying with certain conditions in the Code.

Based on the Register of Substantial Shareholders of the Company as at the LPD, there should be no implication with regard to the Code on the Company and its substantial shareholders arising from the Proposed Share Buy-Back in the event that the Proposed Share Buy-Back is implemented in full.

The Board is mindful of the requirement of the Code and will continue to be mindful of the requirement when making any purchase of the Salcon Shares pursuant to the Proposed Share Buy-Back.

9. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back will enable the Company to utilise its financial resources not immediately required for use to purchase its own Shares from Bursa Securities. It may help to stabilise the supply and demand and price of its Shares traded on Bursa Securities, thereby supporting the fundamental value of the Shares.

The Salcon Shares purchased, whether to be held as treasury shares or subsequently cancelled, will effectively reduce the number of Shares carrying voting and participation rights. Therefore, the Proposed Share Buy-Back may increase shareholders' value and to improve, inter alia, the return on equity of the Group. Share purchases also allow the Directors to exercise control over the Company's share structure and, depending on market conditions, may lead to an enhancement of the EPS and/or NA per Share.

The Purchased Shares can be held as treasury shares and resold on Bursa Securities at a higher price with the intention of realising potential gain without affecting the total issued and paid-up share capital of the Company. Should any treasury shares be distributed as share dividends, this would serve to reward the shareholders of the Company.

10. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) the Proposed Share Buy-Back will allow the Company to utilise its financial resources where there are no immediate use, to purchase the Salcon Shares. If the Salcon Shares purchased are held as treasury shares or cancelled immediately, this may strengthen the consolidated EPS of the Group;
- (b) the Proposed Share Buy-Back may also help to stabilise the supply and demand and price of Salcon Shares traded on Bursa Securities and reduce the volatility of Salcon Share prices. The stability of Salcon Share prices is important to maintain investors' confidence to facilitate future fund raising exercises of the Company via the equity market;
- (c) the Proposed Share Buy-Back will provide the Company opportunities for potential gains if the purchased Salcon Shares which are retained as treasury shares are resold at prices higher than the purchase prices; and
- (d) in the event the treasury shares are distributed as share dividends, it will serve to reward the shareholders of Salcon.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) the Proposed Share Buy-Back, if implemented, will reduce the financial resources of the Company. However, the financial resources of the Group may recover or increase if the Purchased Shares held are resold as treasury shares in the market;
- (b) the cashflow of the Company may be affected if the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back;
- (c) the funds allocated for the Proposed Share Buy-Back could be used for other better investment opportunities which may emerge in the future; and
- (d) as the funds to be allocated for the Proposed Share Buy-Back must be made wholly out of the Company's retained profits and/or share premium account, the amount available from these accounts for distribution of dividends to shareholders of the Company may decrease accordingly.

The Proposed Share Buy-Back, however, is not expected to have any potential material disadvantages to the Company and its shareholders, as it will be exercised only after in-depth consideration of the financial resources of Salcon which need to be balanced against investment opportunities and other proposals that can enhance the value to its shareholders. The Board in exercising any decision in implementing the Proposed Share Buy-Back will be mindful of the interests of the Company and of its shareholders.

11. PURCHASE OF SHARES AND RESALE AND/OR CANCELLATION OF TREASURY SHARES IN THE PREVIOUS TWELVE (12) MONTHS

This is the first time the Company is seeking authority from its shareholders for the Proposed Share Buy-Back. There have not been any previous purchase, resale and/or cancellation of treasury shares of Salcon in the previous 12 months preceding this Circular.

12. FINANCIAL EFFECTS TO THE PROPOSED SHARE BUY-BACK

The effects of the Proposed Share Buy-Back on the share capital, NA, working capital, earnings and shareholdings of Directors and Substantial Shareholders of the Company are set out below:-

(a) Share Capital

The effect of the Proposed Share Buy-Back on the issued and paid-up share capital of the Company will depend on whether the purchased Salcon Shares are cancelled or retained as treasury shares. On the assumption that the Proposed Share Buy-Back is carried out in full and all the Salcon Shares so acquired are subsequently cancelled, the Proposed Share Buy-Back will result in the issued and paid-up share capital of the Company as at the LPD to be reduced as follows:

	<u>Minimum Scenario</u>		<u>Maximum Scenario</u>	
	<u>No. of Shares</u>	<u>RM</u>	<u>No. of Shares</u>	<u>RM</u>
Issued and paid-up share capital as at LPD	667,240,652	333,620,326.00	667,240,652	333,620,326.00
To be issued upon the:				
- full exercise of all exercisable ESOS options as at LPD	<u>-</u>	<u>-</u>	<u>11,247,050</u>	<u>5,623,525.00</u>
Enlarged issued and paid-up share capital	667,240,652	333,620,326.00	678,487,702	339,243,851.00
Maximum number of Salcon Shares that may be purchased and cancelled pursuant to the Proposed Share Buy-Back	<u>66,724,065</u>	<u>33,362,032.50</u>	<u>67,848,770</u>	<u>33,924,385.00</u>
Resultant issued and paid-up share capital after cancellation of Salcon Shares purchased under the Proposed Share Buy-Back	<u><u>600,516,587</u></u>	<u><u>300,258,293.50</u></u>	<u><u>610,638,932</u></u>	<u><u>305,319,466.00</u></u>

In the event that all the Salcon Shares so purchased are retained as treasury shares, the Proposed Share Buy-Back will not have any effect on the issued and paid-up share capital of the Company.

(b) Earnings

The effects of the Proposed Share Buy-Back on the consolidated earnings and EPS of Salcon Group would depend on the purchase prices of the Salcon Shares, the effective cost of funding, the number of Salcon Shares purchased, any loss in interest income or proposed treatment of the Purchased Shares. If the Purchased Shares are retained as treasury shares or cancelled subsequently, the number of shares applied in the computation of the EPS will be reduced, and accordingly all other things being equal, the Proposed Share Buy-Back will have a positive impact on the consolidated EPS of Salcon Group.

Assuming that any Shares so purchased are retained as treasury shares and resold, the effects on the consolidated earnings of Salcon Group will depend on the actual selling price, the number of treasury shares resold and the effective gain or interest savings arising from the exercise.

If the Salcon Shares so purchased and retained as treasury shares or cancelled immediately, the consolidated EPS of Salcon Group will increase provided the income foregone and interest expense incurred on these Salcon Shares is less than the consolidated EPS prior to such purchase.

(c) NA

The consolidated NA of the Company may increase or decrease depending on the number of Salcon Shares purchased, the purchase prices of the Salcon Shares, the effective cost of funding and the treatment of the Salcon Shares purchased.

The Proposed Share Buy-Back will reduce the NA per Share when the purchase price exceeds the NA per Share at the time of purchase. On the contrary, the NA per Share will increase when the purchase price is less than the NA per Share at the time of purchase.

(d) Working Capital

The Proposed Share Buy-Back, as and when implemented, will reduce the working capital and cashflow of Salcon Group, the quantum of which depends on, amongst others, the number of Salcon Shares purchased and the purchase price(s) of the Salcon Shares.

For Salcon Shares so purchased which are kept as treasury shares, upon their resale, the working capital and the cashflow of Salcon Group will increase upon the receipt of the proceeds of the resale. The quantum of the increase in the working capital and cashflow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

(e) Dividends

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the suspension of the rights of treasury shares to dividend entitlement or the reduction in the issued and paid-up share capital of the Company in the event of the treasury shares being cancelled.

The Proposed Share Buy-Back may reduce the cash available which may otherwise be used for dividend payments. Nonetheless, the treasury shares may be distributed as dividends to the shareholders of the Company, if the Company so decides.

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13. **DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

Based on the Registers of Directors' Shareholdings and Substantial Shareholders as at LPD and assuming that the Proposed Share Buy-Back is implemented up to the maximum of 10% of the issued and paid-up share capital and that the Purchased Shares are from the shareholders other than the Directors and Substantial Shareholders of Salcon, the effect of the Proposed Share Buy-Back on the shareholdings of the Directors and Substantial Shareholders of Salcon are set out below:-

Minimum Scenario	Number of Shares held as at LPD			After Proposed Share Buy-Back			
	Direct	%	Indirect	Direct	%	Indirect	
Directors							
Dato' Seri (Dr.) Goh Eng Toon	1,800,000	0.27	66,709,600 ⁽¹⁾	1,800,000	0.30	66,709,600 ⁽¹⁾	11.11
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.45	29,397,400 ⁽²⁾	29,696,400	4.95	29,397,400 ⁽²⁾	4.90
Dato' Leong Kok Wah	3,600,000	0.54	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.60	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	0.05 11.11
Dato' Dr. Freezailah bin Che Yeom	850,400	0.13	-	850,400	0.14	-	-
Ho Tet Shin	1,300,000	0.19	21,400 ⁽⁵⁾	1,300,000	0.22	21,400 ⁽⁵⁾	negligible
Dato' Choong Moh Kheng	3,200,000	0.48	9,400,000 ⁽⁶⁾	3,200,000	0.53	9,400,000 ⁽⁶⁾	1.57
Substantial Shareholders							
Naga Muhibah Sdn Bhd	66,709,600	10.00	-	66,709,600	11.11	-	-
Dato' Seri (Dr.) Goh Eng Toon	1,800,000	0.27	66,709,600 ⁽¹⁾	1,800,000	0.30	66,709,600 ⁽¹⁾	11.11
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.45	29,397,400 ⁽²⁾	29,696,400	4.95	29,397,400 ⁽²⁾	4.90
Datin Goh Phaik Lynn	-	-	66,709,600 ⁽¹⁾ 300,000 ⁽³⁾ 3,600,000 ⁽⁸⁾	-	-	66,709,600 ⁽¹⁾ 300,000 ⁽³⁾ 3,600,000 ⁽⁸⁾	11.11 0.05 0.60
Dato' Leong Kok Wah	3,600,000	0.54	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.60	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	0.05 11.11
Great Eastern Holdings Limited	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	6.20
Oversea-Chinese Banking Corporation Limited	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	6.20

Maximum Scenario	Number of Shares held as at LPD			Assuming full exercise of ESOS options (I)			After (I) and Proposed Share Buy-Back			
	Direct	%	Indirect	Direct	%	Indirect	Direct	%	Indirect	%
Directors										
Dato' Seri (Dr.) Goh Eng Toon	1,800,000	0.27	66,709,600 ⁽¹⁾	2,300,000	0.34	66,709,600 ⁽¹⁾	2,300,000	0.38	66,709,600 ⁽¹⁾	10.92
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.45	29,397,400 ⁽²⁾	29,696,400	4.38	29,397,400 ⁽²⁾	29,696,400	4.86	29,397,400 ⁽²⁾	4.81
Dato' Leong Kok Wah	3,600,000	0.54	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.53	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.59	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	0.05 10.92
Dato' Dr. Freezailah bin Che Yeom	850,400	0.13	-	1,750,400	0.26	-	1,750,400	0.29	-	-
Ho Tet Shin	1,300,000	0.19	21,400 ⁽⁵⁾	1,700,000	0.25	21,400 ⁽⁵⁾	1,700,000	0.28	21,400 ⁽⁵⁾	negligible
Dato' Choong Moh Kheng	3,200,000	0.48	9,400,000 ⁽⁶⁾	3,600,000	0.53	9,400,000 ⁽⁶⁾	3,600,000	0.59	9,400,000 ⁽⁶⁾	1.54
Substantial Shareholders										
Naga Muhibah Sdn Bhd	66,709,600	10.00	-	66,709,600	9.83	-	66,709,600	10.92	-	-
Dato' Seri (Dr.) Goh Eng Toon	1,800,000	0.27	66,709,600 ⁽¹⁾	2,300,000	0.34	66,709,600 ⁽¹⁾	2,300,000	0.38	66,709,600 ⁽¹⁾	10.92
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.45	29,397,400 ⁽²⁾	29,696,400	4.38	29,397,400 ⁽²⁾	29,696,400	4.86	29,397,400 ⁽²⁾	4.81
Datin Goh Phaik Lynn	-	-	66,709,600 ⁽¹⁾ 300,000 ⁽³⁾ 3,600,000 ⁽⁸⁾	-	-	66,709,600 ⁽¹⁾ 300,000 ⁽³⁾ 3,600,000 ⁽⁸⁾	-	-	66,709,600 ⁽¹⁾ 300,000 ⁽³⁾ 3,600,000 ⁽⁸⁾	10.92 0.05 0.59
Dato' Leong Kok Wah	3,600,000	0.54	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.53	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	3,600,000	0.59	300,000 ⁽³⁾ 66,709,600 ⁽⁴⁾	0.05 10.92
Great Eastern Holdings Limited	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	6.10
Oversea-Chinese Banking Corporation Limited	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	-	-	37,251,900 ⁽⁷⁾	6.10

(1) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 6A of the Companies Act, 1965.

(4) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(5) Deemed interested through the shares held under the estate of his spouse (Wong Sook Kuen).

(6) Deemed interested through the shares held in Pembinaan Puncu Cergas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(7) Deemed interest pursuant to Section 6A(4)(C) of the Companies Act, 1965 via its subsidiaries i.e. Great Eastern Life Assurance (Malaysia) Bhd; Overseas Assurance (Malaysia) Bhd; Great Eastern Takaful Bhd; and Pacific Mutual Fund Bhd.

(8) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 6A of the Companies Act, 1965.

14. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors and/or major shareholders and/or persons connected to them, has any interest, directly or indirectly, in the Proposed Share Buy-Back.

15. HISTORICAL MARKET PRICES OF SALCON SHARES

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

	<u>Highest (RM)</u>	<u>Lowest (RM)</u>
2013		
May	0.68	0.48
June	0.69	0.55
July	0.67	0.61
August	0.75	0.59
September	0.72	0.62
October	0.70	0.63
November	0.72	0.65
December	0.68	0.64
2014		
January	0.69	0.63
February	0.76	0.64
March	0.77	0.67
April	0.86	0.74

(Source: the Star Online)

The last transacted market price of Salcon Shares on LPD was RM0.76.

16. APPROVALS REQUIRED

The Proposed Share Buy-Back is subject to the approval of the shareholders of Salcon at the forthcoming AGM to be convened. Save for the approval of the shareholders of Salcon, there is no other approvals required for the Proposed Share Buy-Back.

17. DIRECTORS' RECOMMENDATION

After due consideration of all aspects of the Proposed Share Buy-Back, the Directors are of the opinion that the terms and conditions of the Proposed Share Buy-Back are fair and reasonable and in the Company's best interest. Accordingly, the Directors recommend that the shareholders vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the Company's forthcoming AGM.

18. AGM

The AGM, the notice of which is enclosed in the Annual Report 2013, 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 Thursday, 26 June 2014 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution, under the agenda of "Special Business", to give effect to the Proposed Share Buy-Back.

If you are unable to attend and vote in person at the AGM, you should complete and return the Form of Proxy enclosed in the Annual Report 2013 in accordance with the instructions therein as soon as possible and in any event, so as to arrive at the Registered Office of the Company at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof. The completion and return of the Form of Proxy will not, however, preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

19. ADDITIONAL INFORMATION

Shareholders are advised to refer to Appendices in this Circular for additional information.

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

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

ADDITIONAL INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by your Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. MATERIAL CONTRACTS

Save as disclosed below, the Company and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular:-

- (a) Salcon had on 21 May 2012 entered into a Sale and Purchase Agreement with Darco Water Technologies Ltd ("Darco Water Technologies") for the acquisition of 15,461,076 ordinary shares of S\$1.00 each in Darco Environmental Pte Ltd ("Darco Environmental") representing 60% of the issued and paid up share capital of Darco Environmental for a cash purchase consideration of RMB95,830,690.00 (equivalent to RM47,474,524).
- (b) Nusantara Megajuta Sdn Bhd, a 50.01% subsidiary of Salcon had on 7 January 2013 entered into a conditional sale and purchase agreement with Total Merit Sdn Bhd to acquire two (2) parcels of land which has a total land area of approximately 51,476 square meters held under HS(D) 482930, No. P.T.B. 22841 and HS(D) 482931, No. P.T.B. 22842 all located in the Daerah Johor Bahru, Bandar Johor Bahru, Negeri Johor Darul Ta'zim for a cash consideration of RM99,699,104.16.
- (c) Salcon had on 26 April 2013 entered into a Sale and Purchase Agreement with Darco Water Technologies to acquire 10,307,383 ordinary shares of S\$1.00 each fully paid in Salcon Darco Environmental Pte Ltd (formerly known as Darco Environmental Pte Ltd) ("Salcon Darco"), representing the remaining 40% of the total issued and paid-up share capital of Salcon Darco not already owned by Salcon, for a total cash purchase consideration of RMB63,000,000.00 (equivalent to RM31,027,757).
- (d) Salcon had on 12 September 2013 entered into the following agreements:
 - (i) conditional sale and purchase agreement between Salcon and Beijing Enterprises Water Group Limited ("BEWG") for the proposed disposals by Salcon of the entire equity interests held in Salcon Darco and Salcon Jiangsu (HK) Limited to BEWG; and
 - (ii) conditional sale and purchase agreement between Salcon, Salcon Water (Asia) Limited, a 60%-owned subsidiary of Salcon ("Salcon Water") and BEWG for the proposed disposals by Salcon and Salcon Water of the entire equity interests held in Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Linyi (HK) Limited and Salcon Shandong (HK) Limited to BEWG

for a total cash consideration of RMB955.0 million (equivalent to approximately RM518.28 million).

3. MATERIAL LITIGATION

As at the date of this Circular, neither the Company nor its subsidiary company are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Directors of Salcon are not aware of any proceedings, pending or threatened against the Company and/or its subsidiary company or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of Salcon and/or its subsidiary company.

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the Registered Office of Salcon during office hours from the date of this Circular up to and including the date of the forthcoming AGM:

- (i) Memorandum and Articles of Association of Salcon;
- (ii) Audited financial statements of Salcon for the past two (2) financial years ended 31 December 2012 and 31 December 2013; and
- (iii) The unaudited financial statements for the quarter ended 31 March 2014.
- (iv) The material contracts referred to in item 2 above.

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EXTRACT OF THE ORDINARY RESOLUTION TO BE TABLED AT THE AGM OF SALCON IN RELATION TO THE PROPOSED SHARE BUY-BACK**ORDINARY RESOLUTION
PROPOSED SHARE BUY-BACK**

“THAT, subject always to the Companies Act, 1965, the provisions of the Articles of Association of the Company, Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) an amount not exceeding the Company’s audited retained profits or/and share premium account at the time of purchase(s) will be allocated by the Company for the purchase of own shares; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividend.

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant authorities;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Articles of Association of the Company and the requirements and/or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/or regulatory authorities.”