

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 Proposals (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: -

- (I) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**
- (II) PROPOSED AMENDMENTS TO THE EXISTING BYLAWS OF THE EMPLOYEES' SHARE OPTION SCHEME**
- (III) PROPOSED GRANT OF ESOS OPTIONS TO NON-EXECUTIVE DIRECTORS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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, 20 June 2012 at 11.30 a.m., or immediately after the conclusion of the Company’s Ninth 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 15th 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, 18 June 2012 at 11.30 a.m.

Date and time for the EGM : Wednesday, 20 June 2012 at 11.30 a.m.

This Circular is dated 29 May 2012

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
“Circular”	: This circular dated 29 May 2012 to shareholders of Salcon
“Director(s)”	: A director of the Group including an executive director and a non-executive director
“EGM”	: Extraordinary general meeting
“Eligible Person(s)”	: An individual who is a Malaysian citizen and a director or employee of the Salcon Group (excluding subsidiaries which are dormant) who meets the criteria of eligibility for participation in the ESOS as set out in the Bylaws
“EPS”	: Earnings per share
“ESOS” or “Scheme”	: 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
“Date of Offer”	: Date on which an Offer is made by the ESOS Committee to an Eligible Person pursuant to the ESOS
“Grantee”	: Any Eligible Person who has accepted an Offer in the manner provided in Bylaw 8
“LPD”	: 16 May 2012, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	: Main Market Listing Requirements of Bursa Securities
“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
“Proposals”	: Proposed Amendments to the Bylaws, Proposed Grant and Proposed Amendment to AA
“Proposed Amendment to AA”	: Proposed amendment to the Articles of Association of Salcon

DEFINITIONS (*Cont'd*)

“Proposed Amendments to the Bylaws”	:	Proposed amendments to the existing ESOS Bylaws of Salcon
“Proposed Grant”	:	Proposed grant of ESOS options to non-executive directors of the Company, namely Dato’ Seri (Dr.) Goh Eng Toon, Dato’ Dr. Freezailah bin Che Yeom, Ho Tet Shin and Dato’ Choong Moh Kheng
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Salcon” or the “Company”	:	Salcon Berhad
“Salcon Group” or “Group”	:	Salcon and its subsidiary companies
“Salcon Shares” or “Share”	:	Ordinary shares of RM0.50 each in the Company
“SC”	:	Securities Commission
“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

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:

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

29 May 2012

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

Dear Sir/Madam,

-
- I. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION**
 - II. PROPOSED AMENDMENTS TO THE EXISTING BYLAWS OF ESOS**
 - III. PROPOSED GRANT OF ESOS OPTIONS TO NON-EXECUTIVE DIRECTORS**
-

1. INTRODUCTION

The Board announced on 17 May 2012 that the Company has proposed to undertake the following:

- (i) amendment to the Articles of Association of Salcon;
- (ii) amendments to the existing Bylaws governing the ESOS; and
- (iii) granting of ESOS options to non-executive directors of Salcon.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF SALCON WITH DETAILS ON THE PROPOSALS TO SET OUT THE VIEWS OF YOUR BOARD 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 PROPOSALS AT THE FORTHCOMING EGM.

2.0 DETAILS OF THE PROPOSALS

Details of the Proposals are set out in the ensuing sections.

2.1 Proposed Amendment to AA

The amendment is proposed to be made to the AA of Salcon to facilitate the granting of ESOS options to eligible non-executive directors of Salcon.

The details of the Proposed Amendment to AA are as follows:

Article	Existing Provisions	Amended Provisions
To amend Article 4(d)	every issue of shares or options to employees and/or directors shall be approved by the members in general meeting and:- (i) such approval shall specifically detail the amount of shares or options to be issued to such director. (ii) only directors holding office in an executive capacity shall participate in such an issue of shares or options Provided Always that a director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or public issue.	every issue of shares or options to employees and/or directors shall be approved by the members in general meeting and no director shall participate in such issue of shares or options unless the members in general meeting have approved of the specific allotment to be made to such director.

2.2 Proposed Amendments to the Bylaws

On 23 June 2010, Salcon established and implemented the ESOS based on the terms and conditions set out in the Bylaws. Subsequently, the Company proposes to amend its existing ESOS Bylaws to include the granting of ESOS options to non-executive directors of Salcon.

Details of the Proposed Amendments to the Bylaws are as follows:

No.	Existing Clauses	No.	Amended Clauses
3.	Definitions and Interpretation “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 “Eligible Person(s)” All eligible employees of the Salcon	3.	Definitions and Interpretation “Director(s)”: A director of the Group including an executive director and a non-executive director “Eligible Person(s)” All eligible employees of the Salcon Group including Executive Directors and Non-Executive Directors of the Company

	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		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
5.1	<p>Only Eligible Persons of the Group who fulfill the following conditions shall be eligible to participate in the Scheme:</p> <ul style="list-style-type: none"> (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. <p>The ESOS Committee reserves the right to set different eligibility criteria for foreign incorporated subsidiaries of Salcon.</p> <p>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.</p>	5.1	<p>Only Eligible Persons of the Group who fulfill the following conditions shall be eligible to participate in the Scheme:-</p> <p>a) in respect of an employee, the employee must fulfill the following criteria as at the Date of Offer:</p> <ul style="list-style-type: none"> (i) he/she 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) 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 Directors); (iv) he/she complies fully with any other criteria set by the ESOS committee. <p>b) in respect of a Director, whether executive or non-executive, the following criteria must be fulfilled as at the Date of Offer:</p> <ul style="list-style-type: none"> (i) the Director is at least eighteen (18) years of age; (ii) the Director has served as a Director within the Salcon Group for a continuous period of more than one (1) year on the Date of Offer; (iii) specific allocation of new shares to the Director of the Company under the Scheme must have 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) he/she complies fully with any other criteria set by the ESOS committee.

		<p>The ESOS Committee reserves the right to set different eligibility criteria for foreign incorporated subsidiaries of Salcon.</p> <p>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.</p>
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2.3 Proposed Grant

Salcon proposes to offer and grant to the non-executive directors of the Company, namely Dato’ Seri (Dr.) Goh Eng Toon, Dato’ Dr. Freezailah bin Che Yeom, Ho Tet Shin and Dato’ Choong Moh Kheng options to subscribe for new Salcon Shares and to allot and issue from time to time new Salcon Shares provided that:

- (i) not more than fifty percent (50%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted in aggregate to Directors and members of the senior management; and
- (ii) not more than ten percent (10%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted 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 percent (20%) or more of the issued and paid-up share capital of Salcon.

The Proposed Grant may be offered during the duration of the Scheme which expires on 6 July 2015 [i.e. five (5) years from 7 July 2010 (“Effective Date”)] 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.

3.0 RATIONALE FOR THE PROPOSALS

3.1 Proposed Amendment to AA

The Proposed Amendment to AA is to facilitate the participation of eligible non-executive directors of Salcon in the ESOS.

3.2 Proposed Amendments to the Bylaws

The rationale for the Proposed Amendments to the Bylaws are to allow to grant the ESOS options to non-executive directors of the Company so as to reward and retain non-executive directors for their significant contribution to the Company notwithstanding that the non-executive directors are not involved in the day-to-day management of the Company.

3.3 Proposed Grant

The Proposed Grant to non-executive directors is to reward the contribution of non-executive directors of Salcon who are indirectly involved in the strategic decisions or directions taken by the Company through, amongst others, their participation in board deliberations and suggestions as well as in the decision making process of the Company.

The Board intends to utilise the future proceeds which may be raised from the exercise of the ESOS Options as working capital for the Company.

4.0 EFFECTS OF THE PROPOSALS

The Proposed Amendments to the Bylaws and Proposed Amendment to AA will not have any effects on the share capital, net assets, gearing, earnings, shareholdings, or dividends of Salcon.

4.1 Share Capital

The Proposed Grant will not have any effect on the authorised share capital of Salcon.

The Proposed Grant will not have an immediate effect on the issued and paid-up share capital of the Company, until such time the ESOS Options are exercised and new Salcon shares are issued to the non-executive directors.

4.2 Consolidated Net Assets and Gearing

The Proposed Grant will not have any immediate effect on the consolidated net assets and gearing of the Group until such time when the ESOS Options to be granted are exercised.

From an accounting perspective, the Proposed Grant is expected to result in the recognition of a charge to the income statement of the Group pursuant to Financial Reporting Standard 2 on Share Based Payments as issued by the Malaysian Accounting Standards Board (“FRS 2”), the recognition of such a charge would not have any material impact on the net assets 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 ESOS Options granted 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 ESOS Options are exercised, the amount outstanding in the said equity reserve would be transferred into the Company’s share capital and/or share premium account.

The proforma effects on the consolidated net asset per share and gearing arising from the exercise of the ESOS Options are not quantifiable at this juncture as it is dependent on amongst others:

- (i) the number of ESOS Options granted and exercised at any point in time;
- (ii) the subscription price of the ESOS Options for one (1) new Salcon Share (i.e. if the subscription price exceeds the net asset per share, the consolidated net asset per share will increase, and vice versa);
- (iii) the utilisation of the proceeds arising from the exercise of ESOS Options; and
- (iv) the potential effect on the future earnings of Salcon arising from the adoption of FRS 2.

4.3 Consolidated Earnings and EPS

The Proposed Grant will not have any effect on the consolidated earnings and EPS.

However, in respect of the Proposed Grant (and any granting of ESOS Options pursuant to the ESOS), any potential effect on the consolidated earnings and EPS of the Group in the future would depend on amongst others:

- (i) the number of ESOS Options granted and exercised at any point in time;
- (ii) the subscription price of the ESOS Options for one (1) new Salcon share;
- (iii) the utilisation of the proceeds arising from the exercise of the ESOS Options; and
- (iv) with the adoption of FRS 2, the costing relating to the ESOS Options granted pursuant to the ESOS will need to be measured at grant date and recognised as an expense in the income statement of Salcon on the vesting date of such ESOS Options. The notional cost of the ESOS Options granted would depend on, inter alia, the ESOS Options granted and the theoretical fair value of such ESOS Options granted.

4.4 Substantial Shareholdings

The Proposed Grant will not have any effect on the existing substantial shareholdings of the Company. Any potential effect of the Proposed Grant on the substantial shareholdings would depend upon the actual number of options exercised in Salcon shares at any one time.

4.5 Dividend

Your Board does not expect the Proposed Grant to have a material effect on the dividend policy of the Company. Any dividend to be declared and paid by the Company for the subsequent years will depend on the financial position of the Company taking into consideration, amongst others, the future performance, cash position and funding requirements of the Group.

5.0 HISTORICAL SHARE PRICES

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

	Highest (RM)	Lowest (RM)
2011		
May	0.61	0.57
June	0.59	0.56
July	0.58	0.49
August	0.57	0.45
September	0.48	0.38
October	0.54	0.40
November	0.60	0.52
December	0.54	0.48
2012		
January	0.56	0.50
February	0.67	0.51
March	0.59	0.52
April	0.55	0.52

The last transacted market price of Salcon Shares immediately prior to the announcement of the Proposals on 17 May 2012 was RM0.51.

6.0 APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

- (a) shareholders of Salcon for the Proposals at an EGM to be convened; and
- (b) any other relevant parties (if required).

The Proposed Amendments to the Bylaws is conditional upon the Proposed Amendment to AA whilst the Proposed Grant is conditional upon both the Proposed Amendments to the Bylaws and Proposed Amendment to AA.

The Proposals are not conditional upon any other corporate exercise/scheme.

7.0 PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

On 21 May 2012, Salcon announced that it had entered into a sale and purchase agreement with Darco Water Technologies Ltd for the acquisition of 15,461,076 ordinary shares of S\$1.00 each in Darco Environmental Pte Ltd representing 60% of its issued and paid up share capital for a cash purchase consideration of RMB95,830,690.00 (equivalent to RM47,474,524). Upon completion of the said acquisition, Darco Environmental Pte Ltd shall be a subsidiary of Salcon.

The acquisition is expected to be completed ninety (90) days from 21 May 2012.

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

Below is the list of Directors of Salcon:

Name	Designation
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

Following the Proposed Amendments to the Bylaws, the non-executive directors of Salcon, namely Dato' Seri (Dr.) Goh Eng Toon, Dato' Dr. Freezailah bin Che Yeom, Ho Tet Shin and Dato' Choong Moh Kheng ("Interested Non-Executive Directors") are entitled to participate in the ESOS and are therefore deemed interested in the Proposals. The Interested Non-Executive Directors are also deemed interested in respect of their respective entitlements under the Proposed Grant. Accordingly, they have abstained and will continue to abstain from all Board deliberations in respect of the Proposals at all Board meetings. They will also abstain from voting in respect of their direct and indirect shareholdings in Salcon on the resolutions to approve the Proposals at the forthcoming EGM. Further, the abovementioned Interested Non-Executive Directors will ensure that persons connected to them will abstain from voting on the Proposals at the forthcoming EGM.

The shareholdings of the Interested Non-Executive Directors as at the LPD are as follow:

Name	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Dato' Seri (Dr.) Goh Eng Toon	-	-	66,709,600 ⁽¹⁾	12.786
Dato' Dr. Freezailah Bin Che Yeom	50,400	0.010	-	-
Ho Tet Shin	-	-	21,400 ⁽²⁾	0.004
Dato' Choong Moh Kheng	2,055,000	0.394	10,000,000 ⁽³⁾	1.917

Notes:

- (1) (i) 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 spouse (Datin Seri Kee Seok Ai) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965
- (iii) 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 under the estate of his spouse (Wong Sook Kuen)*
- (3) *Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965*

The current executive directors of Salcon, namely Tan Sri Dato' Tee Tiam Lee and Dato' Leong Kok Wah are not interested in the Proposals.

9.0 DIRECTORS' RECOMMENDATION

The Board of Directors of Salcon barring the executive directors are deemed interested in the Proposals and therefore have abstained from expressing an opinion and making any recommendation to the shareholders on this matter.

The executive directors believe that the Proposals are in the best interest of the Company. Accordingly, the executive directors recommend that you vote in favour of the resolution pertaining to the Proposals to be tabled at the forthcoming EGM on the basis as provided in the rationale stated in Section 3 here above.

10.0 EGM

The EGM for the Proposals, 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, 20 June 2012 at 11.30 a.m., or immediately after the conclusion of the Company's Ninth 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 Amendments to the Bylaws, Proposed Grant and Proposed Amendment to AA.

If you are unable to attend and vote in person at the EGM, 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 15th 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.

11.0 FURTHER INFORMATION

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

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

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

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. 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.

3. 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: -

	RM'000
<u>Contingent Liabilities</u>	
Corporate guarantees given to financial institutions for credit facilities granted to its subsidiaries	<u>600,529</u>

4. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of Salcon at 15th 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 existing and amended Bylaws governing the ESOS; and
- (c) the audited consolidated financial statements of the Salcon Group for the past three (3) financial years ended 31 December 2009 to 2011 and unaudited financial statements for financial period ended 31 March 2012.

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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, 20 June 2012 at 11.30 a.m., or immediately after the conclusion of the Company’s Ninth 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:

SPECIAL RESOLUTION – PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

“**THAT**, the alterations, modifications and/or additions to the Articles of Association of Salcon as set out in Section 2.1 of the Circular to shareholders dated 29 May 2012 (“**Circular**”) contained herein be and are hereby approved.

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendment to the Articles of Association with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities.”

ORDINARY RESOLUTION 1 – PROPOSED AMENDMENTS TO THE BYLAWS

“**THAT** subject to the passing of the Special Resolution, approval be and is hereby given to the Company to modify and/or amend the existing ESOS Bylaws as set out in Section 2.2 of the Circular.

AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Amendments to the Bylaws 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 ESOS OPTIONS TO DATO’ SERI (DR.) GOH ENG TOON

“**THAT** subject to the passing of the Special Resolution and Ordinary Resolution 1, the Directors of the Company be and are hereby authorised, at any time and from time to time, to offer and to grant to Dato’ Seri (Dr.) Goh Eng Toon, being the Chairman and Non-Independent Non-Executive Director of the Company, options to subscribe for new Salcon Shares in accordance with the provisions of the amended Bylaws as set out in the Circular contained herein particularly:

- (i) not more than fifty percent (50%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted in aggregate to Directors and members of the senior management; and
- (ii) not more than ten percent (10%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted 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 percent (20%) or more of the issued and paid-up share capital of Salcon.”

ORDINARY RESOLUTION 3 – PROPOSED GRANTING OF ESOS OPTIONS TO DATO’ DR. FREEZAILAH BIN CHE YEOM

“**THAT** subject to the passing of the Special Resolution and Ordinary Resolution 1, the Directors of the Company be and are hereby authorised, at any time and from time to time, to offer and to grant to Dato’ Dr. Freezailah bin Che Yeom, an Independent Non-Executive Director of the Company, options to subscribe for new Salcon Shares in accordance with the provisions of the amended Bylaws as set out in the Circular contained herein particularly:

- (i) not more than fifty percent (50%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted in aggregate to Directors and members of the senior management; and
- (ii) not more than ten percent (10%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted 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 percent (20%) or more of the issued and paid-up share capital of Salcon.”

ORDINARY RESOLUTION 4 – PROPOSED GRANTING OF ESOS OPTIONS TO HO TET SHIN

“**THAT** subject to the passing of the Special Resolution and Ordinary Resolution 1, the Directors of the Company be and are hereby authorised, at any time and from time to time, to offer and to grant to Ho Tet Shin, an Independent Non-Executive Director of the Company, options to subscribe for new Salcon Shares in accordance with the provisions of the amended Bylaws as set out in the Circular contained herein particularly:

- (i) not more than fifty percent (50%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted in aggregate to Directors and members of the senior management; and
- (ii) not more than ten percent (10%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted 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 percent (20%) or more of the issued and paid-up share capital of Salcon.”

ORDINARY RESOLUTION 5 – PROPOSED GRANTING OF ESOS OPTIONS TO DATO’ CHOONG MOH KHENG

“**THAT** subject to the passing of the Special Resolution and Ordinary Resolution 1, the Directors of the Company be and are hereby authorised, at any time and from time to time, to offer and to grant to Dato’ Choong Moh Kheng, an Independent Non-Executive Director of the Company, options to subscribe for new Salcon Shares in accordance with the provisions of the amended Bylaws as set out in the Circular contained herein particularly:

- (i) not more than fifty percent (50%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted in aggregate to Directors and members of the senior management; and
- (ii) not more than ten percent (10%) of the Salcon Shares which are available to be allotted under the ESOS, are allotted 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 percent (20%) or more of the issued and paid-up share capital of Salcon.”

BY ORDER OF THE BOARD

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

Kuala Lumpur
29 May 2012

Notes:

1. *A member entitled to attend and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote at the meeting. 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. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.*
2. *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.*
3. *Where a member of the Company is an authorised nominee, it may appoint at least one(1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
4. *For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy must be deposited at the Registered Office at 15th 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.*
6. *Only members whose names appear in the Record of Depositors as at 13 June 2012 will be entitled to attend and vote at the meeting or appoint proxy(ies) to attend and/or vote on their behalf.*



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 which,
(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, 20 June 2012 at 11.30 a.m., or immediately after the conclusion of the Company's Ninth 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
Special Resolution Proposed Amendment to AA		
Ordinary Resolution 1 Proposed Amendments to the Bylaws		
Ordinary Resolution 2 Proposed Granting of ESOS Options to Dato' Seri (Dr.) Goh Eng Toon		
Ordinary Resolution 3 Proposed Granting of ESOS Options to Dato' Dr. Freezailah bin Che Yeom		
Ordinary Resolution 4 Proposed Granting of ESOS Options to Ho Tet Shin		
Ordinary Resolution 5 Proposed Granting of ESOS Options to Dato' Choong Moh Kheng		

(*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 2012

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 one (1) or more proxies to attend and vote at the meeting. 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. A proxy need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
2. 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.
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6. Only members whose names appear in the Record of Depositors as at 13 June 2012 will be entitled to attend and vote at the meeting or appoint proxy(ies) to attend and/or vote on their behalf.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here