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SALCON BERHAD

[Registration No.: 200201026133 (593796-T)]

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

**PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF SALCON BERHAD AND ITS
SUBSIDIARIES TO INCLUDE MANUFACTURING AND TRADING OF RUBBER GLOVES AND ITS
RELATED SERVICES**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



AFFIN HWANG
CAPITAL

Affin Hwang Investment Bank Berhad [197301000792 (14389-U)]

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Salcon Berhad ("**Company**"), which will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 23 June 2021 at 10.15 a.m. or immediately after the conclusion or adjournment of the Company's Eighteenth Annual General Meeting ("**18th AGM**") (which will be held at the same Broadcast Venue on the same day at 9.30 a.m.), whichever is later, or at any adjournment of the EGM thereof, together with the Proxy Form are enclosed herein.

A member entitled to attend, speak and vote (collectively, "**participate**") remotely at the EGM of the Company via the Remote Participation and Voting ("**RPV**") facilities provided, is entitled to appoint a proxy or proxies to participate on his/her behalf. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the Proxy Form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the Proxy Form must be deposited via TIIH Online website at <https://tiih.online>. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form. All Proxy Form submitted must be received by the Company on or before the date and time indicated below.

Last date and time for lodging the Proxy Form	: Monday, 21 June 2021 at 10.15 a.m.
Date and time of EGM	: Wednesday, 23 June 2021 at 10.15 a.m. or immediately after the conclusion or adjournment of the Company's 18 th AGM (which will be held at the same Broadcast Venue on the same day at 9.30 a.m.), whichever is later, or at any adjournment of the EGM

This Circular is dated 8 June 2021

DEFINITIONS

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

“Act”	: Companies Act, 2016, as amended from time to time and any re-enactment thereof
“Affin Hwang IB”	: Affin Hwang Investment Bank Berhad [Registration No.: 197301000792 (14389-U)], a participating organisation of Bursa Securities
“Agreed Ratio”	: Being the agreed shareholding ratio of all the Parties in JREMT as stated in the SHA where NJSB and the Ganesan Group owns 51.00% and 49.00% equity interest in JREMT, respectively
“ASP”	: Average selling price
“Board”	: Board of Directors of Salcon
“Bursa Securities”	: Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)]
“BWTSB”	: Blue Water Technology Sdn Bhd [Registration No.: 201601033364 (1204305-A)]
“CE Marking Certification”	: A certification mark which indicates that a product has been assessed by the manufacturer and deemed to meet the European Union’s safety, health and environmental protection requirements. The certification mark is required for products manufactured anywhere in the world which are then marketed in member countries of the European Union
“Circular”	: This Circular to the shareholders of Salcon in relation to the Proposed Diversification
“Core Business”	: Investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities
“COVID-19”	: Coronavirus disease 2019
“EGM”	: Extraordinary general meeting
“EPS”	: Earnings per Share
“FDA Certification”	: Certification from the U. S. Food and Drug Administration
“FYE”	: Financial year ended/ending
“Ganesan”	: Ganesan A/L Subramaniam
“Ganesan Group”	: Being Ganesan and Hamen, collectively
“Glove Business”	: Manufacturing and trading of latex, nitrile and medical gloves, and provision of turnkey advisory and consultancy services for rubber glove players
“Hamen”	: Hamen A/L Ganesan
“JREMT”	: JR Engineering and Medical Technologies (M) Sdn Bhd [Registration no.: 200101014105 (549862-H)], a 51.00%-owned subsidiary of NJSB

DEFINITIONS (Cont'd)

“JREMT Acquisition”	:	Acquisition of 1,020,000 ordinary shares, representing 51.00% of the equity interest in JREMT by NJSB
“JREMT Board”	:	Board of Directors of JREMT
“LPD”	:	24 May 2021, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“Market Day”	:	Any day on which the stock market of Bursa Securities is open for trading in securities
“NA”	:	Net assets
“NJSB”	:	Nusantara Jasakita Sdn Bhd [Registration no.: 202001027269 (1383589-P)], a wholly-owned subsidiary of Salcon
“NJSB Acquisition”	:	Acquisition of 10.00% equity interest in NJSB by Salcon
“Parties”	:	Being the parties to the SHA, namely NJSB, Ganesan, Hamen and JREMT
“PAT”	:	Profit after taxation
“Proposed Diversification”	:	Proposed diversification of the principal activities of the Salcon Group to include manufacturing and trading of rubber gloves and its related services
“RM”	:	Ringgit Malaysia
“Salcon” or “Company”	:	Salcon Berhad [Registration No.: 200201026133 (593796-T)]
“Salcon Group” or “Group”	:	Salcon Berhad and its subsidiaries, collectively
“Salcon Share(s)” or “Share(s)”	:	Ordinary shares in Salcon
“SHA”	:	Shareholders’ agreement dated 12 March 2021 entered into by the Parties to regulate their rights, obligations and liabilities as shareholders of JREMT
“sq. ft.”	:	Square feet
“SSA”	:	Share sale agreement dated 12 November 2020 entered into by NJSB and Ganesan to effect the JREMT Acquisition for a total cash consideration of RM28.56 million, which was completed on 12 March 2021
UK	:	United Kingdom
U. S.	:	United States of America

DEFINITIONS (Cont'd)

All references to “the Company” and/or “Salcon” in this Circular are to Salcon. References to “Salcon Group” and/or “the Group” are to Salcon and its subsidiaries and references to “we”, “us”, “our” and “ourselves” are to Salcon and where the context does require, shall include its subsidiaries.

All references to “you” in this Circular are to the shareholders of the Company.

Words referring to the singular shall, where applicable, include the plural and vice versa and words referring to the masculine gender shall, where applicable, include the feminine and neutral genders and *vice versa*. Reference to persons shall include corporations.

Any reference in the Circular to any enactment is a reference to that enactment and as may be amended from time to time and any re-enactment thereof. Any discrepancy in the tables between the amounts listed and the totals in the Circular are due to rounding. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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SALCON BERHAD

[Registration No.: 200201026133 (593796-T)]
(Incorporated in Malaysia)

Registered Office:

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

8 June 2021

Board of Directors:

Tan Sri Abdul Rashid bin Abdul Manaf (*Chairman, Independent Non-Executive Director*)
Tan Sri Dato' Tee Tiam Lee (*Executive Deputy Chairman*)
Dato' Leong Kok Wah (*Executive Director*)
Dato' Choong Moh Kheng (*Independent Non-Executive Director*)
Chan Seng Fatt (*Independent Non-Executive Director*)
Dato' Rosli bin Mohamed Nor (*Independent Non-Executive Director*)
Datin Goh Phaik Lynn (*Non-Independent Non-Executive Director*)

To: The shareholders of Salcon

Dear Sir/Madam

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF THE SALCON BERHAD AND ITS SUBSIDIARIES TO INCLUDE MANUFACTURING AND TRADING OF RUBBER GLOVES AND ITS RELATED SERVICES

1. INTRODUCTION

On 12 May 2021, Affin Hwang IB, had on behalf of the Board, announced that the Company proposes to undertake the Proposed Diversification.

On 12 November 2020, Salcon announced that its then 90.00%-owned subsidiary, namely NJSB, entered into a SSA with Ganesan to undertake the JREMT Acquisition. Pursuant to Paragraph 10.06(1) of the Main Market Listing Requirements, the JREMT Acquisition was not subject to shareholders' approval as the percentage ratios of the transaction was below 25%.

On 12 March 2021, Salcon announced that the JREMT Acquisition has been completed. On the same date, the Parties have entered into a SHA to regulate their rights, obligations and liabilities as shareholders of JREMT. The salient terms of the SHA are set out in Section 2.1.6 and Appendix I of this Circular.

On 10 May 2021, NJSB became a wholly-owned subsidiary of Salcon after Salcon completed the NJSB Acquisition from BWTSB. BWTSB had been engaged as a consultant to Salcon in relation to the JREMT Acquisition via a Corporate Advisory Services Agreement ("**CASA**") dated 10 November 2020. Under the CASA, BWTSB had a put option to sell its 10.00% equity interest in NJSB to Salcon for a total cash consideration of RM2,856,000. The basis for the cash consideration of RM2,856,000 was premised on the 10% of the purchase consideration of JREMT Acquisition. BWTSB had subsequently exercised the said put option on 10 May 2021.

JREMT is principally involved in the business of manufacturing and trading of latex, nitrile and medical gloves, and provision of turnkey advisory and consultancy services for rubber glove players.

The Board anticipates that the Glove Business will immediately contribute to the Salcon Group's revenue and net profits given the global demand for rubber gloves arising from the COVID-19 pandemic. In accordance to Paragraph 10.13(1) of the Main Market Listing Requirements, Salcon is required to obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

- (i) The diversion of 25% or more of the Salcon's NA to an operation which differs widely from those operations previously carried on by Salcon; or
- (ii) The contribution from such operation of 25% or more to Salcon's net profits.

The Board expects that the Glove Business will trigger the threshold above in the immediate future, and therefore intends to seek the shareholders' approval for the Proposed Diversification.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF SALCON WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION AND TO SEEK THE APPROVAL OF THE SHAREHOLDERS OF SALCON FOR THE ORDINARY RESOLUTION ON THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM.

SHAREHOLDERS OF SALCON ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTION FOR THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

Salcon Group is principally involved in water and wastewater engineering with key focus on the investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities across the Asian region. Based on the latest audited financial results for the FYE 31 December 2020, the Group had four reportable segments from its continuing operations, which are as follows:

Operating segment	Revenue (RM'000)	Percentage segment contribution to the Salcon Group's total revenue (%)	Segment profit⁽¹⁾ (RM'000)	Percentage segment contribution to the Salcon Group's total segment profit⁽¹⁾ (%)
(a) Construction ⁽²⁾	153,593	79.11%	833	32.58%
(b) Concessions ⁽³⁾	-	-	367	14.35%
(c) Trading ⁽⁴⁾	16,792	8.65%	5,086	198.90%
(d) Property development ⁽⁵⁾	23,763	12.24%	(3,729)	(145.83%)
Total	194,148	100.00%	2,557	100.00%

Notes:

- (1) Segment profit comprises revenue from external customers and share of profit in associates and joint ventures, and it excludes depreciation and amortisation, finance costs, finance income and income tax expenses. It also excludes contribution from discontinued operations.
- (2) Comprises design, construction and commissioning of water and wastewater treatment facilities including downstream activities, i.e. non-revenue water reduction, customer service, billing and collection.
- (3) Comprises water treatment concession in Vietnam. As this is an associate company, no revenue was recorded but only share of profit contribution.

(4) *Comprises provision of the following services:*

Service	Description
<i>Transportation</i>	<i>Transportation and tour services by Eco-Coach & Tour (M) Sdn Bhd, a 51.30% owned subsidiary of Salcon Capital Sdn Bhd which in turn is a wholly-owned subsidiary of Salcon</i>
<i>Renewable energy services</i>	<i>Sales of solar power products and solar energy by Salcon Power (HK) Limited, a wholly-owned subsidiary of Salcon</i>
<i>Technology services</i>	<i>Mobile backhaul services and metro ethernet for carrier and enterprise markets by Volksbahn Technologies Sdn Bhd, a 50.00% and 2 shares owned joint venture company of Salcon</i>

(5) *Comprises investment and development of residential, commercial and industrial properties.*

(Source: Salcon's Annual Report 2020)

Salcon has built a track record in the past as a water and wastewater solutions provider in Malaysia and also in other countries such as Sri Lanka, Thailand, India, China and Vietnam. Hence, the Board intends to continue the Group's operations in the Core Business and the other operating segments as set out above.

Nevertheless, the Group has been continually searching for alternative avenues to improve its financial performance. The Group was introduced to JREMT in September 2020 and had given due consideration before deciding to acquire JREMT in November 2020.

JREMT is an experienced rubber glove manufacturer which has been in operation for almost 20 years. Further, JREMT had recorded positive historical financial results for the past 3 years. Given Salcon's latest audited financial performance as set out above, the Board anticipates that the Glove Business will contribute positively to the Salcon Group's revenue and net profits for the FYE 31 December 2021, and therefore trigger the threshold stated in Section 1 of this Circular.

Further details of JREMT is set out in Section 2.1 of this Circular.

2.1. Details of JREMT

2.1.1 History and principal activities

JREMT was incorporated in Malaysia on 11 June 2001 under the laws of Malaysia, as a private limited company. JREMT is principally engaged in the business of manufacturing and trading of latex, nitrile and medical gloves, and provision of turnkey advisory and consultancy services for rubber gloves players.

JREMT has been operating from a factory leased from Yam Manufacturing Sdn Bhd ("Yam") since August 2017. The factory is built on a leasehold land with a total land size of 89,072 sq. ft. and is located at Lot 8 & 10, Jalan Zurah 3 & Lot 1 & 3, Jalan Zurah 3A/1, Pusat Perindustrian 2, 44200 Rasa, Hulu Selangor, Selangor Darul Ehsan, Malaysia. The factory is approximately 4 years old and has a total built-up area of approximately 47,250 sq ft, comprising a single storey factory with attached office and warehouse. On 20 September 2019, JREMT had entered into a sales and purchase agreement with Yam to acquire the said factory. As at the LPD, the sales and purchase agreement has yet to be completed.

The factory is equipped with four 60-metre single former glove dipping lines and its associated equipment including steam boilers, storage tanks, chlorination system, drying & tumbling facility, waste water treatment plant, chemical laboratory and in-house packing facility. These manufacturing lines are semi-automatic and can be configured to produce either latex or nitrile gloves suitable for medical, surgical, cleanroom and car assembly use accordingly. Out of the 4 manufacturing lines, 1 of them was fully commissioned and operational since August 2017, whereas another 2 lines were completed in June 2018 while the newest line had only started production in January 2021.

As at the LPD, the maximum production capacity of JREMT is 35 million pieces of gloves per month (based on the production of only 1 type of glove for all the manufacturing lines throughout the whole month). The factory operates 24 hours a day, 7 days a week. In this regard, JREMT experiences production downtime of approximately 1.5 hours per day on average, in between shift changes for the production line workers and during maintenance of the production lines. Since the beginning of 2021, JREMT had produced approximately 30.5 million pieces of gloves per month. The production breakdown between latex and nitrile gloves is dependent on the purchase orders received and therefore varies accordingly.

JREMT's products have obtained both FDA Certification and CE Marking Certification and have been sold to more than 163 customers from 16 countries. As at the LPD, JREMT's products are primarily sold for export to the U.S. and Asian markets. In addition, JREMT is also involved in trading of rubber gloves to these markets. The volume of gloves sold to the aforementioned markets range between 50 to 60 million and 30 to 45 million pieces of gloves per month, which translates to roughly RM17.00 million and RM11.00 million, respectively.

As at the LPD, JREMT does not have any long term supply contracts with its customers. JREMT has established relationships with its customers as they are able to produce gloves to meet their customers' specific requirements. As such, JREMT is able to receive continuous orders from its customers. The top 5 major customers of JREMT for the financial period beginning 1 October 2020 up to 30 April 2021 are as follows:

Major customer ⁽¹⁾	Country	Type of gloves sold	Total pieces of gloves sold (million)	Total value of purchase orders (RM'000)
Financial Period Beginning 1 October 2020 up to 30 April 2021				
1. Customer A	U.S.	Nitrile	123.4	49,112
2. Customer B	Malaysia	Latex and nitrile	24.4	10,686
3. Customer C	U.S.	Latex	19.5	10,203
4. Customer D	Malaysia	Nitrile	17.5	7,656
5. Customer E	China	Latex and nitrile	21.0	4,875

Note:

(1) The names of JREMT's major customers are not disclosed as these customers had not given consent to the disclosure of their respective names due to confidentiality reasons.

Further details on JREMT's FDA Certification and CE Marking Certification are set out below:

Certification	Issuing authority	Date of issuance	Date of expiry	Conditions
<p>(i) U. S. Food and Drug Administration (“FDA”) Type (1) Confirmation</p> <p>Establishment Confirmation issued to JREMT via a U. S. Agent, namely Liberty Management Group, confirming that JREMT has been duly registered with the FDA.</p>	FDA	17 October 2020	31 December 2021	Subject to annual renewal.
<p>(ii) FDA Type (2) Confirmation</p> <p>Product quality assurance confirmation for 3 of JREMT's products namely:</p> <p>(a) Blue Nitrile Examination Powder Free Gloves (vide Confirmation Letter dated 24 January 2020)</p> <p>(b) Latex Surgical Powder Free Gloves - Sterile (vide Confirmation Letter dated 10 March 2020)</p> <p>(c) Blue Latex Examination Powder Free Gloves (vide Confirmation Letter dated 25 November 2019)</p>	FDA	As per the confirmation letter	Not applicable	There is no expiry for this certification. However, its validity is subject to JREMT complying with other U. S. laws on marketing and reporting requirements.
<p>(iii) UK Certification & Inspection Limited (“UK CE”) Marking Certification</p> <p>Confirmation of compliance with UK and European regulations for 9 of JREMT's products, which are as follows:</p> <p>(a) Powdered Latex Examination Gloves;</p> <p>(b) Powder Free Latex Examination Gloves;</p> <p>(c) Powdered Nitrile Examination Gloves;</p> <p>(d) Powder Free Nitrile Examination Gloves;</p> <p>(e) Powdered Latex Surgical Gloves;</p> <p>(f) Powder Free Latex Surgical Gloves;</p> <p>(g) High Risk Blue Latex Examination Gloves;</p> <p>(h) House Hold Gloves; and</p> <p>(i) Finger Coat, Surgeons Cap, Mask, Apron, Drapes, Swab & Surgical Disposables.</p>	UK CE	6 March 2020	5 March 2023	Renewal is subject to JREMT maintaining its system to the UK CE's required standard and satisfactory surveillance audit.

In addition, JREMT also provides ad hoc turnkey advisory and consultancy services for rubber gloves players in various countries including, Malaysia, India, Uganda and Uzbekistan. The services available includes setup of plant, sourcing for machinery through to testing and commissioning of the production lines. Further details of service contracts entered into by JREMT in the 3 years preceding the LPD are set out below:

Client	Country / Region	Type of services rendered	Duration	Total value of service contract (RM'000)
1. CE Technology Berhad	Malaysia	Provide turnkey consultation and supervision on sourcing, setup, customisation, testing and commissioning of 3 glove dipping lines	3 years	8,500
2. Aspen Glove Sdn Bhd	Malaysia	Provide turnkey consultation/ advice and supervision for the setup of 10 new glove dipping lines	Ongoing	900
3. Amazing Rubber Products PVT Ltd	India	Provide turnkey consultation/ advice and supervision for the setup 1 new glove dipping line	Ongoing	3,257

The audited financial results of JREMT for the last 3 FYE 30 September 2018 to 30 September 2020 and the 6-months unaudited financial period ended 31 March 2021 are as follows:

Audited FYE 30 September	2018 RM'000	2019 RM'000	2020 RM'000	Unaudited 6-months financial period ended 31 March 2021 RM'000
Revenue	34,468	35,026	51,232	66,076
PAT	764	1,024	1,831	11,614
NA	3,106	4,130	5,961	17,575
Total borrowings (including lease liabilities)	6,700	6,864	9,799	17,214
Gearing ratio (times)	2.16	1.66	1.64	0.98

(Source: JREMT)

2.1.2 Share Capital

As at the LPD, the issued share capital of JREMT is RM2,000,000 comprising 2,000,000 ordinary shares.

2.1.3 Directors

As at the LPD, the Directors of JREMT are as follows:

Name	Designation
Tan Sri Dato' Tee Tiam Lee	Non-Independent Non-Executive Director
Dato' Leong Kok Wah	Non-Independent Non-Executive Director
Law Woo Hock	Non-Independent Non-Executive Director
Ganesan	Managing Director
Hamen	Non-Independent Executive Director

Tan Sri Dato' Tee Tiam Lee and Dato' Leong Kok Wah are the Executive Deputy Chairman and Executive Director of Salcon respectively, whilst Law Woo Hock is the Director – Corporate Affairs & Finance / Chief Financial Officer of Salcon.

Ganesan founded JREMT in 2001 and has been the Managing Director after its incorporation.

2.1.4 Shareholders

As at the LPD, the shareholders of JREMT and their respective shareholdings are as follows:

Shareholder	No. of shares	%
NJSB	1,020,000	51.00000
Ganesan	979,999	48.99995
Hamen	1	0.00005
Total	2,000,000	100.00000

Upon completion of the JREMT Acquisition on 12 March 2021, the Parties have entered into the SHA to regulate their rights, obligations and liabilities as shareholders of JREMT. Further details of the SHA are set out in Section 2.1.6 and Appendix I of this Circular.

2.1.5 Key Management Personnel

Post JREMT Acquisition, Ganesan and Hamen have agreed to remain as JREMT's Managing Director and General Manager, respectively, for a duration of 3 years from 12 March 2021 with an option to extend their tenure by a further 3 years, subject to mutual agreement on such terms and conditions by the Parties.

The profiles of Ganesan, Hamen and other key management personnel are set out below:

(a) Ganesan A/L Subramaniam

Ganesan, a Malaysian aged 58, obtained his Diploma in Mechanical Engineering from Bradford Technical College Kuala Lumpur in 1986. He ventured into the glove manufacturing business in 1991 when he joined Brightway Holdings Sdn Bhd and was the General Manager when he left in 2001. He has more than 30 years of experience in the glove manufacturing industry as well as expertise in the design, engineering, construction of gloves dipping lines, quality control system and management in the wastewater treatment plant and boilers.

Ganesan founded JREMT in 2001 and has been the Managing Director after incorporation. He has grown JREMT from a small distributor and processing agent to its present position as a glove manufacturer with an annual production capacity of 420 million pieces of gloves per year (as at the LPD). As the Managing Director of JREMT, he will continue to spearhead and oversee JREMT's day-to-day management and operations, marketing activities, and to formulate and implement new business strategies.

Further, Ganesan has vast experience and knowledge in setting up of glove dipping plants and is able to provide know-how technical application and inputs for plants set-up. He has advised several glove companies both locally and abroad on the setting up of gloves dipping plants.

(b) Hamen A/L Ganesan

Hamen, a Malaysian aged 29, graduated with a Bachelor of Business Administration (Hons) degree majoring in International Business and Marketing from Unitar International University in 2014.

After obtaining his degree, he joined Massive Global Resources Sdn Bhd as the Marketing Manager. He was responsible for managing the company's marketing initiatives which includes preparation and review of promotion materials. In addition, he also oversaw and managed the company's sales activities which included preparing the sales budget and forecast, monitoring market trends on product prices and implementing price adjustment accordingly. Further, he has experience in conducting market studies to assess the demand for certain types of products across different target segments.

In January 2017, he joined JREMT as the Marketing Manager and thereafter was promoted to General Manager in March 2017. He is responsible for overseeing the daily business activities, improving overall business functions, training the various heads of department, increasing sales and marketing efforts, as well as assist the Managing Director in directing and managing JREMT's business activities. Hamen is also appointed as a Director of JREMT in October 2020.

(c) Mohanadass A/L Ganesan ("Mohanadass")

Mohanadass, a Malaysian aged 33, graduated with a Bachelor of Automotive Engineering and Bachelor of Automotive Technologies from University of Technology Auckland, New Zealand in 2012.

After obtaining his Bachelor degrees, he started his professional career in New Zealand where he joined Team McMillan BMW Auckland City as an Automotive Engineer and Research and Development Technician in 2013. Subsequently, in 2015, he joined Giltrap Lamborghini Manukau, Mangere as its Chief Technical Officer. In 2016, he returned to Malaysia and joined Massive Global Resources Sdn Bhd as its Technical Manager.

In 2017, he joined JREMT as its Project Manager and thereafter promoted to General Manager of Operations in January 2018. As the General Manager of Operations, he is in charge of overseeing the daily operations of the glove manufacturing lines and quality control measures, ensuring technical requirements of the plant and machineries are met, as well as managing procurement of raw materials.

(d) Sethuraman A/L Elangovan ("Sethuraman")

Sethuraman, an Indian citizen aged 36, graduated with a Bachelor of Commerce degree from the University of Bharathidasan, India in 2012. He had joined JREMT in July 2005 as a Logistics Supervisor and was subsequently promoted to Operations Manager in 2012.

He has approximately 16 years of working experience in the areas of logistics, quality assurance, marketing, purchasing and, project and operation planning. As the Operations Manager, he is responsible for the overall daily operations and management of the glove manufacturing lines, processes and production facilities.

Hamen and Mohanadass are the sons of Ganesan.

Mohanadass and Sethuraman's employment at JREMT is not covered in the SHA as they are not shareholders in JREMT. Further, should either of them choose to vacate their position, there is succession planning in place and their positions can be replaced internally or sourced from the open market as personnel with such expertise are considered to be readily available in Malaysia. As such, any resignations from these positions are expected to have minimal impact on JREMT's operations.

As at the LPD, Mohanadass and Sethuraman have confirmed that they have no intention to vacate their respective positions in the next 12 months.

2.1.6 Salient terms of the SHA

On 12 March 2021, the Parties have entered into the SHA upon completion of the JREMT Acquisition. The salient terms of the SHA are as follows:

(I) The Parties' Agreed Ratio in JREMT are as follows:

Shareholder	Shareholding (%)
NJSB	51.00
Ganesan Group	49.00
Total	100.00

(II) JREMT Board will consist of 5 Directors, of which 3 Directors shall be nominated by NJSB and another 2 shall be nominated by the Ganesan Group. The Chairman of the JREMT Board shall be nominated by NJSB and will not have a casting vote.

(III) Employment of Ganesan and Hamen

(a) Ganesan shall continue as the Managing Director of JREMT for a period of 3 years from the date of completion of the SSA (i.e. 12 March 2021) based on the same terms and conditions as per his current terms of employment with JREMT.

Ganesan will have the power and authority to fully manage JREMT and shall be in charge of the day to day management and operation of JREMT. Ganesan will report to the JREMT Board and make recommendations in respect of the annual budget, expansion and strategy of JREMT.

On the expiration of the 3 years' period, Ganesan has an option to further extend his tenure of employment as the Managing Director for an additional 3 years based on such terms and conditions to be mutually agreed between the Parties.

(b) Hamen shall also continue his current employment as a General Manager with JREMT for a duration of 3 years from the date of completion of the SSA (i.e. 12 March 2021) based on the same terms and conditions as per his current terms of employment with JREMT and has an option to extend his tenure of employment for a further 3 years based on terms and conditions to be mutually agreed between the Parties.

(IV) Transfer of Shares

(a) The shareholders shall not:

i. sell, transfer, assign, charge, pledge or otherwise dispose of or encumber any of their shares or any beneficial interest in such shares to any third party;

- ii. grant or permit to subsist any option over any mortgage, charge, pledge or other encumbrances; or
 - iii. dispose of any beneficial interest in any such shares,
- without the prior written consent from the other shareholders.
- (b) If the shareholders wish to dispose their respective shareholdings, the disposing shareholder is obligated to offer first to the other shareholder, save for transfers within the Ganesan Group.
 - (c) If NJSB wishes to sell its shares to a third party, the Ganesan Group has a right to tag-along.
- (V) Subject to making such appropriate provisions for reserves and working capital as the JREMT Board may decide and as are required by applicable law, and subject to any relevant requirements of lenders of JREMT, if any, the net profit after tax in respect of any financial year will be distributed in the Agreed Ratio by way of dividends or otherwise mutually agreed by the shareholders, after taking into consideration the solvency, loan commitment, working capital and capital commitment of JREMT.

The other salient terms of the SHA are set out in Appendix I of this Circular.

3. RATIONALE AND BENEFITS OF THE PROPOSED DIVERSIFICATION

Salcon Group is principally involved in water and wastewater engineering with key focus on the investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities. This segment is the key driver and largest contributor of the Group's total consolidated revenue. Besides water and wastewater engineering, the Group is also involved in other business areas such as property development, technology services, transportation and renewable energy services, amongst others.

The Group has been actively identifying alternative avenues to improve its financial performance. This effort was given more emphasis in 2020 due to the COVID-19 pandemic which had an impact on the Group's existing business operations.

In September 2020, the Group was introduced to JREMT. Subsequently, after due consideration, the Group decided to acquire JREMT in November 2020. The Group decided to engage in the Glove Business after observing the development of the glove industry and demand for rubber gloves in light of the COVID-19 pandemic.

The Group had also taken into consideration of the following:

(a) **Diversification on the Salcon Group's Core Business**

The revenue from the Core Business has declined by 6.03% for FYE 31 December 2020 as compared to FYE 31 December 2019. Similarly, the segment profit from the Core Business has also declined by 92.74% for FYE 31 December 2020 as compared to FYE 31 December 2019. The decline was due to delays suffered by the Group in the execution of construction contracts. In addition, the Group faced a challenging operation landscape such as government mandated shutdown of construction sites and labour constraints. Nevertheless, the Board expects the financial performance will improve progressively once the COVID-19 pandemic is under control.

Through the Proposed Diversification, it is the Group's intention to have a recurring income portfolio which encompasses different business areas and to help mitigate potential downside risks of the Group's existing business arising from the wide-ranging effects of the COVID-19 pandemic on the local economy including the local construction and tourism industry as well as the global economy.

(b) Fundamental shift in demand for gloves

The COVID-19 pandemic has led to rising awareness for cleanliness and personal hygiene which has resulted in a wider use of personal protective equipment such as gloves beyond the medical sector. These sectors include, amongst others, manufacturing, food and beverage as well as tourism and, personal care and beauty. As such, Salcon Group is of the view that there is a fundamental shift in demand for gloves given the widespread usage of gloves across the aforementioned sectors which is expected to continue in the medium term.

Salcon Group acknowledges that other existing manufacturers are actively increasing their production capacities in glove manufacturing and there are new players venturing into this sector. Nevertheless, the Group believes that the fundamental shift in the usage of gloves will continue to cause heightened demand for gloves in the near to medium term.

(c) The Proposed Diversification yields immediate results

The Group has immediate access to the Glove Business in the form of an operational manufacturing facility, skilled labour force, existing customers base and an immediate source of revenue and profits. JREMT has been operating for almost 20 years and thus, the Group can save time and costs related to setting up a new manufacturing plant and obtaining all the required approvals and certifications. The details of JREMT's history, business activities and past results are set out Section 2.1 above.

The Glove Business of JREMT has experienced growth in FYE 30 September 2020 due to the COVID-19 pandemic where the revenue increased by 46.27% and the PAT increased by 78.81% as compared to FYE 30 September 2019. Further, for the unaudited 6-months financial period ended 31 March 2021, JREMT has already achieved RM66.08 million in revenue and RM11.61 million in PAT.

Moving forward, the Group will be entitled to part of JREMT's profit in accordance with its shareholdings in JREMT. Hence, the Proposed Diversification will provide a new revenue stream to the Group and provides an opportunity for the Group to grow its revenue and to improve its financial performance.

(d) Profit guarantee provided by Ganesan

Ganesan, being the vendor in the JREMT Acquisition, has provided a profit guarantee of at least RM10.00 million per year in PAT for JREMT. Premised on Salcon's shareholding in JREMT and the profit guarantee of at least RM10.00 million per year, the Group's share of JREMT's PAT would be at least RM5.10 million per year.

The said profit guarantee is valid for 3 FYE 31 December 2021 to 31 December 2023. In the event that the targeted PAT is not achieved, Ganesan will pay for the profit guarantee shortfall.

The profit guarantee shortfall is to be rounded up or down to the nearest RM100,000 and is payable upon demand by NJSB, which is no later than 30 June of the following year. Further, such payment of the shortfall may be taken from Ganesan's portion of dividends declared by JREMT for the relevant year, if so assigned by him.

In the event that Ganesan's portion of dividends are insufficient and/or Ganesan fails to make good the shortfall within the stipulated timeframe, the Group has the option of initiating legal proceedings against Ganesan to enforce the profit guarantee.

4. EFFECTS OF THE PROPOSED DIVERSIFICATION

4.1. Share capital and substantial shareholders' shareholding

The Proposed Diversification will not have any effect on the share capital or the substantial shareholders' shareholding in the Company as it does not involve the issuance of new Shares.

4.2. NA, NA per Share and gearing

The impact to the NA, NA per Share and gearing of the Group as a result of the Proposed Diversification will depend on the future profit contribution from the Glove Business.

Premised on the profit guarantee provided by Ganesan, the Proposed Diversification is expected to contribute positively to the Group's NA in the future. However, it is not expected to have any material impact on the Group's NA, NA per Share and gearing ratio as at 31 December 2020, assuming that the Proposed Diversification had been effected on 31 December 2020.

4.3. Earnings and EPS

Premised on the profit guarantee provided by Ganesan, the Proposed Diversification is expected to contribute positively to the future earnings and EPS of the Group for the FYE 31 December 2021.

5. INDUSTRY OVERVIEW AND PROSPECTS

5.1 Overview and outlook of the Malaysian economy and water industry

The Malaysian economy registered a smaller decline of 0.5% in the first quarter of 2021 (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical & electronic (E&E) products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up.

All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector expenditure and strong exports. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Despite the recent re-imposition of containment measures, the impact on growth is expected to be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related sub-sectors, as well as oil and gas facilities will provide a further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

(Source: Economic and Financial Developments in the Malaysia in the First Quarter of 2021, Bank Negara Malaysia)

The total market size (in revenue terms) of the Malaysian water industry was estimated at RM10.1 billion in 2017. It is estimated that the industry is growing at a compounded annual growth rate of between 2.5% and 6.6% with an average of 4.6% from 2017 to 2020. In 2020, the market size of the Malaysian water industry (in revenue terms) is estimated at RM11.6 billion, employing roughly 40,000 people. 65% of the industry's revenue (or ~RM7.5 billion) is contributed by water utilities and sewerage services. Water equipment and chemicals is the next largest, contributing 17% of the industry's revenue. This is followed by consulting services at 9% of the industry's revenue.

(Source: The Malaysian Water Industry Status & Outlook Report 2020/21, Malaysian Water Association)

5.2 Overview and outlook of the glove industry

Exports of Malaysia's natural rubber amounted 58,852 tonnes in March 2021, an increase of 7.7% as against 54,632 tonnes in February 2021. Rubber gloves was the main export item with an export value of RM6.4 billion in March 2021, an increase of 9.4% as compared to February 2021 (RM5.8 billion). United States of America was the highest importer of rubber gloves followed by Germany and China.

(Source: Monthly Rubber Statistics Malaysia, March 2021, Department of Statistics Malaysia)

The World Health Organisation (“**WHO**”) recommends the use of medical gloves by health-care workers to prevent germ transmission. The use of medical gloves reduces the risk of contamination of health-care workers hands with blood and other body fluids as well as germ dissemination to the environment and of transmission from the health-care worker to the patient and vice versa, as well as from one patient to another.

(Source: Glove Use Information Leaflet, August 2009, WHO)

On 11 March 2020, the WHO declared that the COVID-19 virus would be categorised as a pandemic. As the COVID-19 virus spread at a rapid pace, the Centre for Disease Control and Prevention (“**CDC**”) and the FDA had acknowledged the shortage of rubber glove supplies and made various recommendations and proposals to optimise the use of available glove resources.

(Source: WHO Director-General's Opening Remarks at the Media Briefing on COVID-19, March 2020, WHO; Enforcement Policy for Gowns, Other Apparel, and Gloves During the COVID-19 Public Health Emergency, March 2020, FDA; and Strategies for Optimising the Supply of Disposable Medical Gloves, December 2020, CDC)

5.3 Prospects of the Salcon Group

The Group is principally involved in water and wastewater engineering with key focus on investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities. The Group is committed to enhancing long-term shareholders' value and to ensure sustainability of a steady income stream. As such, the Group had previously diversified into property development, technology services, transportation and renewable energy services.

The Group's latest venture into the Glove Business is intended to incorporate a new recurring income stream as it provides the Group with immediate access to the gloves business. Currently, the Group is conducting a feasibility study on setting up a new glove manufacturing plant with 10 manufacturing lines in Pahang under the East Coast Economic Region Development Council. With the setup of the new factory, the annual production capacity of JREMT will increase from 420 million pieces of gloves to 3 billion pieces of gloves. The Group expects to complete the feasibility study on the new factory by July 2021 and if the results are favourable, the Group will proceed with construction of the new factory. As at the LPD, the Group expects to complete construction of the new factory within 7 months of the construction commencement date and commence production within the 1st half of 2022.

The total capital expenditure for the new glove manufacturing plant is estimated to be RM150.00 million, of which RM100.00 million will be used to set up the 10 new manufacturing lines. The Group's share will be RM76.50 million, which it expects to finance using internally generated funds and/or bank borrowings.

In arriving on the aforementioned expansion plan, the Group had considered the following:

(i) ASP of various type of gloves

The ASP of various types of gloves has increased substantially since the outbreak of COVID-19. The Group is of the view that although the ASP of gloves are easing from its peak, it would not return to pre COVID-19 levels even in the long term. As at the LPD, the ASP of nitrile gloves is higher due to its higher demand as it is more widely used and effective in preventing the spread of COVID-19. In this respect, JREMT is able to adjust its production to cater for current market demands in order to capitalise on the higher ASP.

(ii) JREMT's existing orders

As at the LPD, JREMT is experiencing demand which is higher than its production capacity. As such, JREMT is currently not able to accept new orders from new customers. JREMT will begin to market its additional capacity and secure new customers once the construction of the new factory is confirmed.

(iii) Outlook of the glove industry which may affect demand and supply

The Group is of the view that the setup of the new factory will benefit its financial performance despite recent developments affecting the glove industry. These developments include increase in production capacity of existing glove manufacturers, more new players entering the glove industry, lower forecasted ASP for gloves and quicker rollout of vaccination programmes worldwide, amongst others.

Nevertheless, the Group believes that the impact of the COVID-19 pandemic is long-lasting and the demand for gloves will sustain for the next 2 years, such that demand will continue to outstrip supply. The increase in demand is expected to be largely driven by the resurgence of COVID-19 infections, evolution of COVID-19 variants into specific Variants of Interests and Variants of Concerns, effectiveness of the vaccination (where there have been reports of infections post-inoculation), hesitancy towards vaccination and uneven vaccine rollout throughout the world. The hesitancy towards vaccination and uneven vaccine rollout worldwide will affect the timing and efficacy of the herd immunity which is imperative to prevent further resurgence of COVID-19 infections.

There is also an increased awareness of hygiene and the need to stockpile on personal protection equipment which includes gloves. Further, the COVID-19 pandemic has also resulted in the use of gloves as part of a standard operating procedure in other non-healthcare related industries such as food and beverages, hotels, airlines and personal care and beauty.

In addition, JREMT also plans to continue offering turnkey advisory and consultancy services to rubber gloves players, albeit on a smaller scale moving forward. However, JREMT expects to temporarily halt the offering of these services while embarking on its own expansion plan.

Premised on the above, the Group will continually monitor and assess the global demand trend for gloves and will formulate its business strategy accordingly to ensure sustainable growth of the Glove Business.

6. RISK FACTORS RELATING TO THE PROPOSED DIVERSIFICATION

6.1. Business and industry risks related to glove manufacturing and trading activity

The Proposed Diversification will expose Salcon Group to risks inherent to the gloves industry. These may include, amongst others, competition from existing players, entry of new players, socio-political instability, changes in the legal and environmental framework within which the industry operates as well as changes in the global demand for gloves.

Presently, the global demand for gloves is driven by factors associated with the COVID-19 pandemic such as the severity and contagion of various COVID-19 strains, the availability of vaccines and its efficacy as well as the commercial viability to make available these vaccines to the mass population. Meanwhile, in the medium term, the global demand for rubber gloves could be affected by the fundamental shift in the demand for gloves, an ageing demography who are more susceptible to disease and the need of better healthcare equipment given the rising awareness on hygiene.

Although Salcon Group will seek to limit these risks by monitoring global trends and developments, implementing effective management and cost-control policies as well as undertaking prudent business strategies, there can be no assurance that any changes to these risks factors will not have a material adverse effect on the Group's business and earnings in the future.

6.2. No prior experience in the glove industry

Salcon Group is primarily involved in water and wastewater engineering and therefore does not have any past experience in the gloves industry. In this regard, the Group may face difficulties in managing the production processes and business strategies required to succeed in the gloves industry as the Glove Business is unique and differs from the Group's existing business. Hence, the Group will have to rely on the key senior management of JREMT to run the Glove Business. Further discussion on the dependency of key management to manage the Glove Business is set out in Section 6.5 of this Circular.

6.3. Competition and threat of new entrants

Salcon Group's venture into the Glove Business may face competition from existing manufacturers and/or new entrants operating in the gloves industry both locally and regionally. Nevertheless, Salcon Group will take proactive measures to remain competitive in this industry by keeping abreast with the latest market conditions and developments, maintaining effective cost-control measures and ensuring operational efficiency in its production processes through investment in automation to improve overall productivity.

However, there can be no assurance that Salcon Group will be able to compete effectively with existing manufacturers and new entrants in the gloves industry.

6.4. Development, availability and efficacy of COVID-19 vaccines

Since the onset of the COVID-19 outbreak, several pharmaceutical companies have been researching and developing a vaccine against the virus. These COVID-19 vaccines had undergone testing and in December 2020, the first approved COVID-19 vaccines were administered to frontline workers and subsequently made available to the mass population across the United States of America and the United Kingdom. In Malaysia, the COVID-19 vaccination program started in March 2021 and is currently still ongoing.

Salcon Group noted that various governments across the world had indicated that it would require several years to achieve herd immunity through these vaccination programs. Amongst the key issues faced are insufficient supply of vaccines and anti-vaccine sentiments from certain segment of the population. In this regard, the Group believes that the demand of rubber gloves will continue to increase in the near to medium term.

However, there can be no assurance that the Group's expectation will be met, particularly if there is a new and significant development relating to the COVID-19 vaccines, which may affect the overall demand for gloves.

6.5. Reliance on the key senior management of JREMT for business continuity

The day-to-day operations of JREMT will continue to be managed by Ganesan for the next 3 years from the date of completion of the SSA (i.e. 12 March 2021). Ganesan is the incumbent Managing Director of JREMT and also a substantial shareholder of JREMT. He has over 30 years of experience in the glove industry. He will be assisted by a team of skilled senior management who have over 4 years of working experience in the Glove Business. The profiles of Ganesan and the other senior management are set out in Section 2.1.5 of this Circular.

The Group is confident that it has taken proactive steps to identify and retain the necessary talent who possess the skills and expertise required to effectively manage JREMT, namely Ganesan and Hamen. The details of Ganesan's and Hamen's respective employment arrangements are set out in Section 2.1.6 of this Circular.

Nevertheless, the Board acknowledges that the success and growth of JREMT in the future will depend on Salcon Group's ability to effectively retain the services of these key professionals. The loss of services from any of the key professionals without suitable and timely replacements may affect the Group's future financial performance.

6.6. Non-fulfillment of profit guarantee

As set out in Section 3(d) above, Ganesan has provided a profit guarantee of at least RM10.00 million in PAT per year for JREMT for 3 FYE 31 December 2021 to 2023. In the event that the target PAT is not achieved, Ganesan will compensate NJSB the profit guarantee shortfall by 30 June of the following year.

In the event of a shortfall, there is no assurance that Ganesan will be able to make good the shortfall. However, the payment of the shortfall may be taken from Ganesan's portion of dividends declared by JREMT for the relevant financial year, if so assigned to him.

7. APPROVAL REQUIRED

The Proposed Diversification is subject to the approval of the shareholders of Salcon at the forthcoming EGM to be convened.

The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by Salcon.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of Salcon and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Diversification, including but not limited to the rationale, effects and prospects, is of the opinion that the Proposed Diversification is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the resolution pertaining to the Proposed Diversification to be tabled at the Company's forthcoming EGM.

10. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

The tentative timeline for the implementation is as follows:

Tentative timeline	Key milestones
23 June 2021	EGM

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon Salcon obtaining its shareholders' approval at the forthcoming EGM.

11. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

As at the date of this Circular, save for the Proposed Diversification, the Company does not have any other corporate proposals that have been announced but are pending completion.

12. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted on a virtual basis through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 23 June 2021 at 10.15 a.m. or immediately after the conclusion or adjournment of the Company's 18th AGM (which will be held at the same Broadcast Venue on the same day at 9.30 a.m.), whichever is later, or at any adjournment of the EGM thereof, for the purpose of considering and if thought fit, passing the resolution so as to give effect to the Proposed Diversification.

The Notice of the EGM together with the Proxy Form and Administrative Guide are available on the Company's website at <https://www.salcon.com.my/investor-relations/agm-egm.html>.

If you are unable to attend, speak and vote (collectively "**participate**") remotely at the EGM via the RPV provided, you may appoint a proxy or proxies to participate on your behalf. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the Proxy Form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of appointment of a proxy made in electronic form, the Proxy Form must be deposited via TIIH Online website at <https://tiih.online>. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of Proxy Form.

All Proxy Form submitted must be received by the Company not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof at which the person named in the appointment proposes to vote.

13. FURTHER INFORMATION

You are advised to refer to the Appendices of this Circular for further information.

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

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

OTHER SALIENT TERMS OF THE SHA

A. COMPANY SECRETARY, AUDITORS, REGISTERED ADDRESS AND FINANCIAL YEAR

NJSB shall have the right to appoint the Company Secretary and Auditors, and to determine the registered address and financial year of JREMT.

B. JREMT BOARD MEETINGS

- (1) The quorum for any JREMT Board meeting shall be 3 Directors, which shall include at least 1 Director from each NJSB and the Ganesan Group. If a quorum is not present within 30 minutes of the time appointed for the JREMT Board meeting, the JREMT Board meeting shall automatically stand adjourned to the same day in the next week at the same time and place. In the absence of a quorum within 30 minutes of the time appointed for such adjourned meeting, the adjourned meeting shall be dissolved.
- (2) Unless otherwise required under the Act, all matters arising at any JREMT Board meeting shall be decided by the majority of the Directors present and voting at that meeting.

C. GENERAL MEETINGS

- (1) The quorum for any general meeting shall require the presence of a representative from the Ganesan Group and a representative from NJSB.
- (2) If a quorum is not present within 30 minutes from the time appointed for a general meeting, such meeting will be adjourned to the same time next week and the quorum for such adjourned meeting shall be a shareholder or shareholders holding at least 51.00% of the share capital of JREMT.
- (3) The chairman of the meeting shall be the Chairman of the JREMT Board.
- (4) Voting of Reserved Matters

Unless otherwise required by law, "Reserved Matters" shall require the approval of at least 75% of the shareholders entitled to vote on such matters set.

- (5) Reserved Matters

The following shall require the approval of at least 75% of the shareholders entitled to vote:

- i. Any decision to dilute the Agreed Ratio of shareholding in JREMT;
- ii. Any payment or declaration of dividend other than for cash or any other distributions of capital by JREMT;
- iii. Any amalgamation, restructuring of capital, contractual obligation of any kind in cash or kind, merger or amalgamation, liquidation or dissolution of JREMT;
- iv. Any increase of the share capital of JREMT;
- v. Any sale of all or substantially all of the assets, tangible and/or intangible, of JREMT;
- vi. Any decision to proceed with a listing of JREMT on any stock exchange;
- vii. Any action which results in a change of effective control of JREMT;

OTHER SALIENT TERMS OF THE SHA (CONT'D)

- viii. Any increase in the number of Directors of JREMT beyond 5;
- ix. Any issuance of shares whether ordinary, preference shares or loan stock in JREMT including option of shares or convertible loan stock; and
- x. Any change in the current building and/or infrastructure of JREMT or any attempt to demolish or renovate any part of the infrastructure or building of the ground of JREMT, including any shrine, or place of worship, existing thereon.

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accepts full responsibility for the accuracy and correctness of the information given herein. The Board confirms that, after making all reasonable enquiries and to the best of its knowledge and belief, there is no false or misleading statement and there is no other fact or information, the omission of which would make any statement in this Circular incomplete, inaccurate, false or misleading.

2. CONSENTS

Affin Hwang IB 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, manner and context in which it appears in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB is not aware of any situation where conflict of interest exists or is likely to exist in relation to its role as the Principal Adviser to Salcon in relation to the Proposed Diversification.

4. MATERIAL LITIGATION

As at the LPD, save for the following and to the best of the Board's knowledge and belief, neither Salcon nor its subsidiary companies are engaged in any other material litigation, claims or arbitration either as plaintiff or defendant and the Directors of the Company are not aware of any proceeding pending or threatened against the Company or its subsidiary companies or of any facts likely to give rise to any proceeding which may materially affect the financial position or business of Salcon or its subsidiary companies or may affect their income from, title to or possession of, any of their assets or business:

Salcon MMCB AZSB JV Sdn Bhd ("SMAJV") vs Pengurusan Aset Air Berhad ("PAAB")

On 26 August 2020, SMAJV issued a notice to commence arbitration proceedings ("**Arbitration Notice**") against PAAB. Pursuant to the Arbitration Notice, SMAJV claims a sum of RM85,912,482.14 against PAAB for, amongst others, loss and expense claims, claims for works done under variation orders, release of retention sum and unilateral deduction by PAAB on payments due to SMAJV as at the date of the Arbitration Notice, and subject to further quantification of further losses suffered by SMAJV (collectively referred to as "**Claims**"). The Claims relate to works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur ("**Project**").

On 25 September 2020, PAAB had served its response to SMAJV's Arbitration Notice ("**Response to Arbitration Notice**"). Under the Response to Arbitration Notice, PAAB counterclaims a sum of RM63,030,664.84 against SMAJV for alleged breaches relating to the works performed by SMAJV in respect of the Project.

Currently, SMAJV and PAAB are in the midst of negotiating a settlement on the arbitration proceedings.

FURTHER INFORMATION (CONT'D)**5. MATERIAL CONTRACTS**

As at the LPD, save for the SSA and SHA entered into in relation to the JREMT Acquisition, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Salcon and its subsidiary companies within the 2 years preceding the date of this Circular.

6. MATERIAL COMMITMENTS

As at 31 March 2021 (being the latest publicly available results), there is no material commitment incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial position of the Group.

7. CONTINGENT LIABILITIES

Save as disclosed below, as at 31 March 2021 (being the latest publicly available results), the Board is not aware of any other contingent liability incurred or known to be incurred by Salcon Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	49,042
Total	49,042

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents available for inspection at the Registered Office of Salcon at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, during normal business hours from 8.30 a.m. to 5.00 p.m. from Monday to Friday (excluding public holidays) for the period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Constitution of the Company;
- (ii) the audited consolidated financial statements of Salcon for the past 2 FYE 31 December 2019 and 2020 and the latest unaudited quarterly results for the 3-months financial period ended 31 March 2021;
- (iii) the letter of consent referred to in Section 2 of this Appendix;
- (iv) the SSA and SHA referred to in this Circular; and
- (v) the relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix.



SALCON BERHAD

[Registration No.: 200201026133 (593796-T)]
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of Salcon Berhad (“Salcon” or “Company”) will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (“**Broadcast Venue**”) on Wednesday, 23 June 2021 at 10.15 a.m. or immediately after the conclusion or adjournment of the Company’s Eighteenth Annual General Meeting (which will be held at the same Broadcast Venue on the same day at 9.30 a.m.), whichever is later, or at any adjournment of the EGM thereof, for the purpose of considering, and if thought fit, passing the following resolution, with or without modification:

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF SALCON BERHAD AND ITS SUBSIDIARIES TO INCLUDE MANUFACTURING AND TRADING OF RUBBER GLOVES AND ITS RELATED SERVICES (“PROPOSED DIVERSIFICATION”)

“THAT subject to the approvals being obtained from all relevant authorities and/or parties, if required, approval be and is hereby given to the Company to diversify the existing business of Salcon Berhad and its subsidiaries to include manufacturing and trading of rubber gloves and its related services.

AND THAT the Board of Directors be and is hereby empowered and authorised to do all acts, deeds and things to enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement and give full effect to and complete the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments as may be imposed or permitted by any relevant authorities in connection with the Proposed Diversification.”

BY ORDER OF THE BOARD

Wong Wai Foong [SSM PC No.: 202008001472 (MAICSA 7001358)]
Joanne Toh Joo Ann [SSM PC No.: 202008001119 (LS 0008574)]
Company Secretaries

Kuala Lumpur
8 June 2021

Notes:

(1) **IMPORTANT NOTICE**

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting, Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the EGM.

Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the EGM via the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedures in the Administrative Guide for the EGM in order to participate remotely via RPV.

(2) For the purpose of determining who shall be entitled to participate in this EGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this EGM or appoint a proxy or proxies to participate on his/her/its behalf via RPV.

- (3) A member who is entitled to participate at this EGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his place. A proxy may but need not be a member of the Company.
- (4) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the EGM via RPV.
- (5) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“**Central Depositories Act**”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (6) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (7) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (8) A member who has appointed a proxy or attorney or authorised representative to participate at the EGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the EGM.
- (9) The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via TIIH Online website at <https://tiih.online>. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of proxy form. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote.
- (10) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (11) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (12) Last date and time for lodging this proxy form is Monday, 21 June 2021 at 10.15 a.m.
- (13) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
 - (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.



SALCON BERHAD
[200201026133 (593796-T)]
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.

No. of shares held

I/We, Tel.:
(Full name in block, NRIC / Passport / Company No.)

of
(Address)

being a member of **Salcon Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Extraordinary General Meeting ("EGM") of the Company which will be conducted on a virtual basis through live streaming from the Broadcast Venue, Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 23 June 2021 at 10.15 a.m. or immediately after the conclusion or adjournment of the Company's Eighteenth Annual General Meeting (which will be held at the same Broadcast Venue on the same day at 9.30 a.m.), whichever is later, or at any adjournment of the EGM thereof, and to vote as indicated below:-

NO.	RESOLUTION	#FOR	#AGAINST
1.	Proposed Diversification		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this day of

Signature*
Member

*Manner of execution:-

- If you are an individual member, please sign where indicated.
- If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-
 - at least two (2) authorised officers, of whom one shall be a director; or
 - any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.



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Fold this flap for sealing

Then fold here

AFFIX
STAMP

SALCON BERHAD [Registration No.: 200201026133 (593796-T)]

c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

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