
2. PARTICULARS OF THE PUBLIC ISSUE

This Prospectus is dated 28 July 2003.

A copy of this Prospectus has been registered with the SC and lodged with the Chief Executive Officer of the Companies Commission of Malaysia, who takes no responsibility for its contents.

The approval of the SC obtained vide its letters dated 26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003 shall not be taken to indicate that the SC recommends the IPO and investors should rely on their own evaluation to assess the merits and risks of the IPO.

An approval-in-principle has been obtained from the KLSE on 18 July 2003 for the listing of and quotation for the entire issued and fully paid-up share capital of Salcon on the Main Board of the KLSE. These Shares will be admitted to the Official List on the Main Board of the KLSE and official quotation will commence upon receipt of confirmation from MCD that all CDS Accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants. Acceptance of Applications will be conditional upon permission being granted by the KLSE to deal in and for the quotation of the entire enlarged issued and fully paid-up Salcon Shares on the Main Board of the KLSE. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned if the said permission for listing is not granted within six(6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC).

Pursuant to Section 14(1) of the Central Depositories Act and Section 39(1)(j) of the Act, KLSE has prescribed Salcon as a prescribed securities. In consequence thereof, the Salcon Shares issued through this Prospectus will be deposited directly with the MCD and any dealings in these Shares will be carried out in accordance with the aforesaid Acts and the Rules of the MCD.

An applicant should state his CDS Account number in the space provided in the Application Form if he presently has such an account. Where an applicant does not presently have a CDS account, he should state in the Application Form his preferred ADA Code.

The KLSE assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. Admission to the Official List of the Main Board of the KLSE is not to be taken as an indication of the merits of the Company or of its Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by Salcon. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of Salcon since the date hereof.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the Shares of the IPO in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are unsure of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.1 Share Capital**

	RM
AUTHORISED SHARE CAPITAL	
1,000,000,000 Shares	<u>500,000,000</u>
ISSUED AND FULLY PAID-UP SHARE CAPITAL	
162,062,502 Shares	81,031,251
TO BE ISSUED PURSUANT TO THE PUBLIC ISSUE	
29,200,000 new Shares	14,600,000
Enlarged Share Capital	<u>95,631,251</u>
TO BE OFFERED PURSUANT TO THE OFFER FOR SALE	
17,920,000 Shares	8,960,000
IPO PRICE PER SHARE	1.20

There is only one class of shares in the Company, namely Shares all of which rank pari passu with one another. The Public Issue Shares to be issued pursuant to this Prospectus will rank pari passu in all respects with the other existing Shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any Shares which may be issued by the Company in the future, the holders of Shares in the Company shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends and other distributions and the whole of any surplus in the event of the liquidation of the Company, in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each Share held.

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2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.2 Basis of Arriving at the Public Issue/Offer Price

The Public Issue/Offer price of RM1.20 per Share was determined and agreed upon by the Company, Offerors and AmMerchant Bank as Adviser and Managing Underwriter based on various factors including the following:

- (i) The Salcon Group forecasts a consolidated profit after taxation and minority interests of RM29.9 million for the financial year ending 31 July 2004. Based on the enlarged issued and paid-up share capital of Salcon prior to the exercise of ESOS options of RM95,631,251 comprising 191,262,502 Salcon Shares, the net EPS of the Salcon Group is 15.6 sen for the financial year ending 31 July 2004.

Therefore, the Public Issue/Offer price of RM1.20 per Salcon Share represents a net PE Multiple of approximately 7.7 times based on the said profit forecast.

- (ii) The proforma NTA value of the Salcon Group as at 31 January 2003 after the Public Issue is approximately RM79.708 million or approximately RM0.42 per Salcon Share based on the enlarged issued and paid-up share capital of Salcon prior to the exercise of ESOS options of 191,262,502 Salcon Shares.

Therefore, the indicative Public Issue/Offer price of RM1.20 per Salcon Share will represent a premium of RM0.78 or 186% to the said proforma NTA per Salcon Share.

Comparison with other companies involved in the water and wastewater industry is set out in Section 4.6.1 of this Prospectus.

After due consideration of the abovementioned factors, the Directors and AmMerchant Bank are of the opinion that the Public Issue/Offer price is fair and reasonable.

However, shareholders should also note that the market price of Salcon Shares upon listing on the KLSE are subject to the vagaries of the market forces and other uncertainties which may affect the price of Salcon Shares being traded.

Investors should form their own view on the valuation of the securities and the reasonableness of the basis used.

2.3 Details of the IPO

Public Issue Shares

The Public Issue of 29,200,000 new Shares at an issue price of RM1.20 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus. The 29,200,000 Public Issue Shares will be allocated and allotted in the following manner:

- (i) 6,823,000 of the Public Issue Shares will be reserved for the eligible employees and directors of the Salcon Group, the business associates of the Salcon Group as well as the eligible directors and employees of KEB;
- (ii) 3,177,000 of the Public Issue Shares will be made available for application by the Malaysian Public, of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions; and

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (iii) 19,200,000 of the Public Issue Shares will be reserved for potential placees (who are deemed public) who have been identified/to be identified via private placement.

The Public Issue Shares of 29,200,000 Shares represent approximately 15.3% of the enlarged issued and paid-up share capital of 191,262,502 Shares.

The Public Issue Shares in respect of paragraphs (i) and (ii) above have been fully underwritten. Any Public Issue Shares in respect of paragraph (i) above which are not subscribed for by eligible directors, employees and business associates of the Salcon Group as well as the eligible directors and employees of KEB ("Unsubscribed Shares") will be reoffered to eligible employees of the Salcon Group on the following basis:-

- (i) 80% of the Unsubscribed Shares will be reoffered to eligible employees who have been employed with the Salcon Group for more than 5 years; and
- (ii) 20% of the Unsubscribed Shares will be reoffered to eligible employees who have been employed with the Salcon Group for 1 to 5 years.

If the Unsubscribed Shares are not fully taken up under the above reoffering, the said Unsubscribed Shares will be made available for application by the Malaysian Public via balloting. In the event of an overall undersubscription, the remaining Unsubscribed Shares will be allocated proportionately to the underwriters.

Offer Shares

The 17,920,000 Offer Shares at an offer price of RM1.20 per Share are payable in full on application upon such terms and conditions as set out in this Prospectus. The Offer Shares will be reserved for potential placees (who are deemed public) who have been identified/to be identified via private placement.

2.4 Details on the Pink Forms Allocation

The total number of persons eligible for the pink forms allocation is 350. The allocation of the pink form shares to the directors, employees and business associates of the Salcon Group as well as the eligible directors and employees of KEB are based on seniority, position, length of services and contribution to the Salcon Group. The number of Shares that will be allotted to the Directors are as follows:

Name of Directors	Number of Shares
Tan Sri Razali Ismail	45,000
Dato' (Dr) Teoh Seng Foo	45,000
Dato' Lim See Teok	45,000
Mr. Jagjit Singh a/l Tara Singh	45,000
Mr. Foo San Kan	45,000
Dato' Dr Freezailah Bin Che Yeom	45,000
Dato' Seri Megat Najmuddin bin Datuk Seri (Dr) Hj Megat Khas	45,000
Total	315,000

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**2.5 Critical Dates of the IPO**

Events	Tentative Date
Issue of Prospectus/Opening date of the IPO	28 July 2003
Closing date of the IPO*	8 August 2003
Balloting of applications	13 August 2003
Despatch of notices of allotment of Salcon Shares to successful applicants	27 August 2003
Listing of the Company's entire issued and paid-up share capital on the Main Board of the KLSE	3 September 2003

Note:

* or such period or periods as the Directors and Promoters in their discretion may decide, subject to the consent of the Managing Underwriter and Underwriters. Where the closing date of Application is extended from the original closing date, the notice of such extension(s) will be advertised in a widely circulated newspaper not less than one(1) market day before the original closing date.

2.6 Purposes of the IPO

The purposes of the IPO are as follows:

- (a) To enable the Salcon Group to gain access to the capital market to raise funds for future expansion and growth of the Group;
- (b) The listing of Salcon Shares on the Main Board of the KLSE is expected to further enhance the Group's corporate reputation and assist the Group in expanding its customer base;
- (c) To provide the opportunity for the directors and eligible employees of the Salcon Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of the Group; and
- (d) To obtain listing of and quotation for the entire enlarged issued and paid-up share capital of Salcon on the Main Board of the KLSE.

2.7 Utilisation of Proceeds

All proceeds of the Public Issue after deducting the related expenses will accrue to Salcon. Salcon intends to use the proceeds from the Public Issue in the following manner:

	RM'000
Debt settlement to SHCB's creditors	28,000
Working capital	4,540
Restructuring and listing expenses	2,500
	35,040

Salcon will bear all other expenses incidental to the listing of and quotation for Salcon Shares on the Main Board of the KLSE which include underwriting commission, brokerage, registration fees, professional fees, SC fees, advertising, listing expenses and other fees the aggregate of which is estimated to be approximately RM2.5 million.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Proceeds from the Offer for Sale shall accrue to the Offerors and no part of the proceeds is receivable by Salcon. The Offerors shall bear all expenses, such as placement fee, brokerage, registration fee and share transfer fee relating to the Offer Shares.

There is no minimum subscription to be raised from the Public Issue as the Public Issue Shares are either underwritten or reserved for potential placees who have been identified/to be identified. Details on the utilisation of proceeds are as follows:

Notes:

- **Debt Settlement to SHCB's Creditors**

This relates to the debt settlement of SHCB's creditors for the outstanding debts due from SHCB to such creditors as part of SHCB's Restructuring Exercise.

- **Restructuring and Listing Expenses**

The estimated restructuring and listing expenses for the listing of and quotation for the enlarged share capital of 191,262,502 Shares in Salcon on the Main Board of the KLSE are as follows:

	RM
Professional advisory fees ⁽¹⁾	1,140,000
SC fees	100,000
KLSE fees	70,000
Underwriting commission	300,000
Brokerage	66,000
Advertising of Prospectus	200,000
Printing of Prospectus, Application Forms and envelopes	140,000
Issuing House fees and disbursements	85,000
Miscellaneous ⁽²⁾	399,000
Total	2,500,000

Notes:

(1) *Include fees for the Advisors, Reporting Accountant, Solicitors and other professional advisors*

(2) *Any unutilised amount shall be used for working capital purposes of the Company*

- **Working Capital**

Salcon proposes to utilise approximately RM4.54 million for working capital purposes. The amount set aside for working capital will mainly be utilised to finance current ongoing and future projects for water treatment plants to be undertaken by the Salcon Group.

As the listing proceeds are only expected to be received after the end of Salcon's financial year ending 31 July 2003, it is not expected to have a financial impact on the Group for the financial year ending 31 July 2003. The Group is expected to fully utilise the proceeds from the Public Issue by the end of 2003.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

2.8 Financial Impact from Utilisation of Proceeds

The utilisation of the Public Issue proceeds by the Group is not expected to have any material impact on the PAT of the Group for the financial year ending 31 July 2003. However, the said utilisation is expected to enhance the PAT of the Group by approximately RM0.4 million for the financial year ending 31 July 2004.

2.9 Brokerage and Underwriting Commission

The Underwriters as mentioned in the Corporate Directory Section of this Prospectus, have agreed to underwrite 10,000,000 of the Public Issue Shares to be issued to the Malaysian Public and the eligible employees, directors and business associates of the Salcon Group as well as the eligible directors and employees of KEB. Underwriting commission is payable by Salcon at the rate of 2.5% of the issue price of RM1.20 per Share for the Shares which are being underwritten.

Brokerage is payable in respect of the Public Issue Shares by Salcon at the rate of 1.0% of the issue price of RM1.20 per Share in respect of successful applications which bear the stamp of AmMerchant Bank, member companies of the KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIH.

2.10 Salient Terms of the Underwriting Agreement

The following are extracts of some of the provisions of the Underwriting Agreement dated 22 July 2003 ("Agreement"), made between the Company, the Managing Underwriter and the Underwriters stating the events that may allow the Underwriters to withdraw from their obligations under the Agreement and hence affect the underwriting of the IPO:

Clause 3.1

The several obligations of the Underwriters under this Agreement are conditional upon:

- 3.1.1 the Company obtaining the SC's final approval of the draft Prospectus;*
- 3.1.2 the delivery to the SC of the Prospectus for registration in accordance with the requirements under Section 42 of the SC Act together with copies of all documents required by that section and/or the SC Act;*
- 3.1.3 the lodgement of the Prospectus with the CCM;*
- 3.1.4 the Company obtaining the KLSE's approval-in-principle for the listing of and quotation for all the Public Issue Shares and the Offer Shares on the Main Board of the KLSE;*
- 3.1.5 the execution of all agreements in relation to the private placement in form and substance acceptable to the Placement Agent; and*
- 3.1.6 the Company meeting the public spread requirement under the KLSE Listing Requirements.*

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Clause 3.2

If any of the conditions in clauses 3.1.1 to 3.1.6 is not satisfied on or before the Closing Date, each of the Underwriters is entitled by notice in writing to the Company to:

3.2.1 terminate this Agreement to the extent of its obligations contained in it; and

3.2.2 cease performance of its obligations under this Agreement.

Clause 3.3

In the event this Agreement is terminated pursuant to clause 3.2, the parties to this Agreement will be released and discharged from their obligations under this Agreement (except for the liability of the Company for payments of costs and expenses as provided in clause 16.3 incurred prior to or in connection with such termination).

Clause 3.4

Any of the Underwriters may, at its discretion, waive compliance with any of the provisions of this clause.

Clause 11.1

Upon the occurrence of any of the following events coming to the notice of the Managing Underwriter and/or the other Underwriters prior to the Closing Date, the Underwriters will be entitled to elect to treat such breach, failure or change as releasing or discharging them from their obligations under this Agreement, by giving notice in writing to such effect to the Company:

11.1.1 any breach of the representations or warranties in clause 9 or the covenants and undertakings in clause 10 by the Company which, if capable of being remedied, is not remedied by the earlier of:

(a) the date falling three(3) Market Days after notice of such breach is given by the Underwriters to the Company; or

(b) the Closing Date;

11.1.2 any failure by the Company to perform any of its obligations or to comply with any of the provisions in this Agreement which, if capable of being remedied, is not remedied by the earlier of:

(a) the date falling three(3) Market Days after notice of such default is given by the Underwriters to the Company; or

(b) the Closing Date; and

11.1.3 any change rendering any of the representations and warranties in clause 9 false, misleading or otherwise inaccurate.

Clause 11.2

Notwithstanding clause 11.1, the Company will remain liable for the payment of the costs and expenses referred to in clause 16.3 which are incurred prior to or in connection with such release and discharge.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Clause 11.3

Any failure by the Company to make any notification will not prejudice the right of the Underwriters to treat any further or other breach, failure or change as releasing and discharging the Underwriters from their obligations under this Agreement.

Clause 14.1 Termination by the Underwriters in event of Adverse Change

14.1.1 *Notwithstanding anything contained in this Agreement, the Underwriters or any of them may at any time before the Closing Date terminate, cancel or withdraw their respective obligations or commitments under this Agreement by giving notice in writing to the Company, if there is:*

- (a) *any change in national or international monetary, financial, political or economic conditions (including but not limited to conditions of the stock markets in Malaysia and overseas, foreign exchange markets or money markets or that with regard to inter-bank offer or interest rates in Malaysia and overseas) which will, in the reasonable opinion of the Underwriters, materially and adversely affect the Company and the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;*
- (b) *any change in exchange controls or currency exchange rates which will, in the reasonable opinion of the Underwriters, materially and adversely affect the success of the offering and issuance of the Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market);*
- (c) *any development, occurrence or any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, ruling or any request or interpretation by the SC, any other regulatory authorities or any governmental bodies, whether or not having the force of law, or occurrence of any other nature, which will materially and adversely affect the Company and the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;*
- (d) *any Government requisition or occurrence of any other nature which will materially and adversely affects or will materially and adversely affect the business and/or financial position of any member of the Group;*
- (e) *any breach of the representations, warranties and undertakings set out in clauses 9 and 10 which will materially and adversely affect the successful offering and issuance of the Public Issue Shares or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms;*

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

- (f) any event or series of events beyond the reasonable control of the Underwriters (including but not limited to acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has the effect of making any material part of this Agreement incapable of performance in accordance with its terms or which prevents the processing of applications, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to its underwriting;*
- (g) the imposition of any moratorium, suspension or material restriction on trading in securities generally in the KLSE due to exceptional financial circumstances or otherwise;*
- (h) any failure on the part of the Company to perform any of its obligations contained in this Agreement;*
- (i) any withholding of information of a material nature from the Underwriters which will have or may reasonably be expected to have a material and adverse affect on the successful offering and issuance of the Public Issue Shares, the business or prospects of the Company or any member of the Group or which is likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms; or*
- (j) any material and adverse change to the business and/or financial position of the Group.*

14.1.2 *On delivery of such notice as stated in clause 14.1.1 by the Managing Underwriter or any one or more of the Underwriters ("**Terminating Underwriter(s)**"), through the Managing Underwriter:*

- (a) this Agreement will be terminated as between the Company and the Terminating Underwriter(s) delivering such notice;*
- (b) the obligations of the Company (only in respect of and towards such Terminating Underwriter(s)) and such Terminating Underwriter(s) under this Agreement (except for the liability of the Company for the payment of costs and expenses referred to in clause 16.3 incurred prior to or in connection with such termination) will cease; and*
- (c) the Company and such Terminating Underwriter(s) will not have any claim against each other in respect of any thing or matter arising out of this Agreement.*

14.1.3 *The Underwriters and the Company may however confer with a view to deferring the Public Issue or amending its terms or the terms of this Agreement and entering into a new underwriting agreement accordingly, but neither the Company nor the Underwriters will be under any obligation to enter into a new agreement.*

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)**Clause 14.2 Termination due to Lapse of Time**

14.2.1 In the event that the Closing Date shall fall after three (3) months from the Agreement Date, this Agreement will lapse and the Underwriters will be released and discharged from all of their obligations under this Agreement and the Company may enter into a fresh underwriting agreement with the same and/or different underwriters. To avoid any doubt, the Company will not be released from its liability to pay all costs, charges and expenses referred to in clause 16.3 which are incurred prior to or in connection to the negotiation, preparation, execution and stamping of this Agreement.

2.11 Moratorium on Shares

The SC, in approving, amongst others, the Public Issue and Offer for Sale has imposed a moratorium on 80,198,000 Salcon Shares representing 50% of the consideration shares to be received by the vendors of SEB i.e. KEB, MASB and ETSB ("Moratorium Shares") collectively.

In relation to this, KEB, MASB and ETSB will not be allowed to sell, transfer or assign the Moratorium Shares for at least one(1) year from the date of listing of the said consideration shares on the KLSE. Thereafter, KEB, MASB and ETSB are allowed to sell, transfer or assign not more than one-third (1/3) per annum of the Moratorium Shares on a straight line basis. However, Salcon may apply the moratorium condition by the SC in the event revised guidelines on the said moratorium are announced, in line with the disclosure-based regulation.

The SC's guidelines have been revised and issued on 1 April 2003. Accordingly, as listed in the table below, KEB, MASB and ETSB will not be allowed to sell, transfer or assign the Moratorium Shares in Salcon representing 41.93% of the enlarged share capital of 191,262,502 Salcon Shares within one (1) year only from the date of admission of the Company to the Official List of the Main Board of the KLSE.

Name	Existing	Under Moratorium	
	No. of Consideration Shares	No. of Moratorium Shares	% of enlarged issued and paid-up share capital
KEB	81,801,960	40,900,980	21.38
MASB	48,118,800	24,059,400	12.58
ETSB	30,475,240	15,237,620	7.97
Total	160,396,000	80,198,000	41.93

The restriction, which is fully accepted by KEB, MASB and ETSB, is specifically endorsed on the share certificates representing the respective shareholdings of KEB, MASB and ETSB which are under moratorium to ensure that Salcon's registrars do not register any transfer not in compliance with the restriction imposed by the SC.

The shareholders of MASB, namely Tan Sri Razali Bin Ismail and Abdul Nasir Bin Adnan have provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in MASB during the moratorium period.

Similarly, the shareholders of ETSB, namely Dato' Lim See Teok and Jaggit Singh a/l Tara Singh have also provided an undertaking that they shall not sell, transfer or assign their respective shareholdings in ETSB during the moratorium period.

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

The endorsement which will be affixed in the certificates of the securities under moratorium is as follows:

"The shares comprised herein are not capable of being sold, transferred or assigned for the period as determined by the Securities Commission ("Moratorium Period"). The shares comprised herein will not constitute good delivery pursuant to the Rules of the Exchange during the Moratorium Period. No share certificate or certificates will be issued to replace this certificate during the Moratorium Period unless the same shall be endorsed with this restriction"

However, pursuant to the SC's letter dated 26 December 2002, the Moratorium Shares are allowed to be pledged as long as there is no change in the beneficial ownership of the Moratorium Shares and the SC's approval is required for any disposal of the Moratorium Shares.

2.12 Approvals from Authorities

The Public Issue and Offer for Sale were approved by the following authorities as follows:

Authorities	Date
SC	26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003
MITI	27 December 2002
FIC	26 December 2002 and 7 March 2003

The details of the conditions imposed by all the relevant authorities and status of compliance are set out below:

Conditions Imposed By SC	Status of Compliance
Vide SC's letters dated 26 December 2002, 31 December 2002, 2 June 2003, 30 June 2003 and 25 July 2003	
1. SC's approval is required for any revision to the original utilisation of the proceeds in the event that the revision involves utilisation of proceeds for business activities other than for the core business of SHCB/Salcon	Will comply
2. The approval of SHCB/Salcon's shareholders is required for any subsequent changes to the utilisation of the proceeds, that deviate by 25% or more from the original utilisation of proceeds. Should the deviation be less than 25%, appropriate disclosure is required to be made to the shareholders of SHCB/Salcon	Will comply
3. Any extension of time from the timeframe fixed by SHCB/Salcon for the completion of utilisation of proceeds should be approved by a clear resolution of the Board of SHCB/Salcon and must be fully disclosed to the KLSE	Will comply

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
4. Appropriate disclosure on the status of utilisation of proceeds is required to be made in the quarterly results and annual reports of SHCB/Salcon and should continue until the proceeds have been fully utilised	Will comply
5. A moratorium shall be imposed on 80,198,000 Salcon Shares representing 50% of the consideration shares to be received by the vendors of SEB, i.e. KEB, MASB, and ETSB as stipulated under Paragraph 18.09(5) of the Policies and Guidelines on Issue/Offer of Securities issued by the SC ("SC Guidelines"). In relation to this, the vendors of SEB, i.e. KEB, MASB and ETSB will not be allowed to sell, transfer or assign their shares for at least one(1) year from the date of listing of the said consideration shares on the KLSE.	Will comply
Thereafter, KEB, MASB and ETSB are allowed to sell, transfer or assign not more than one-third (1/3) per annum of the said total shares its shareholdings under the moratorium.	
In the event that the seller of the above assets is a private company, the ultimate beneficial owner is required to furnish a declaration to the SC to comply with the moratorium condition as stipulated in the SC's Guidelines. AmMerchant Bank is required to inform the SC on the details of the parties holding the moratorium shares prior to the issuance of the information circular to the shareholders. SHCB/Salcon may apply the moratorium condition by the SC in the event revised guidelines on the said moratorium are announced, in line with the disclosure-based regulation.	Complied. Copies of the declaration letters from MASB and ETSB have been furnished to the SC on 23 July 2003
	The SC's guidelines have been revised and issued on 1 April 2003. Accordingly, KEB, MASB and ETSB will not be allowed to sell, transfer or assign the Moratorium Shares within one (1) year only from the date of admission of the Company to the Official List of the Main Board of the KLSE
6. Full disclosure is required to be made in the information circular to the shareholders as well as the prospectus, including but not limited to the following:	
(a) Remaining contracts currently being completed and how SHCB/Salcon proposes to secure new contracts and projects for the future;	Complied. Details are set out in Section 4.5 and 4.10 of this Prospectus
(b) Management risks for the Salcon Group's activities;	}
(c) Risks in relation to the business activities of the Salcon Group, including but not limited to the risks of not securing any contracts in future.	} Complied. Details are set out in } Section 3 of this Prospectus } }
7. In relation to the trade debtors, the companies which are to be acquired are required to implement the following prior to the printing of the information circular to the shareholders and the prospectus:	
<ul style="list-style-type: none"> Full provision is required to be made for trade debtors exceeding the six(6) months period and the Reporting Accountant is required to furnish a written confirmation to the SC on the said provision; and 	The SC has vide its letter dated 2 June 2003 approved an appeal in respect of the provision required to be made by SEB. Further details of the condition imposed on the said approval are set out in item 8 below
	A written confirmation by the Reporting Accountant dated 7 July 2003 has been furnished to the SC on 9 July 2003

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
<ul style="list-style-type: none"> Directors of the companies to be acquired are required to submit a written confirmation to the SC that the trade debtors exceeding the credit limits can be recovered and full provisions have been made for the trade debtors exceeding the six(6) months period 	Complied. A written confirmation by the directors of SEB has been furnished to the SC on 7 July 2003
<p>Salcon/SHCB has to inform the SC that the companies to be acquired have met all the abovementioned conditions prior to the printing of the explanatory statement to creditors/shareholders and Prospectus</p>	Complied. The SA on behalf of SHCB, has vide its letter dated 10 July 2003 informed the SC that the said conditions imposed have been met
<p>8. The SC has vide its letter dated 2 June 2003 further imposed certain conditions in relation to trade debtors as follows:-</p>	
<ul style="list-style-type: none"> Adequate provisions of the SEB Group for its trade debtors exceeding the six(6) months period except for the amount owing by the government and debtors whereby settlement arrangements are in place, i.e. Sejati Builders Sdn Bhd. However, the SEB Group shall make full and immediate provision for the debts owing by the abovementioned parties as soon as the SEB Group is aware that the collectibility of the said debts are doubtful 	Complied. The SA on behalf of SHCB, has vide its letter dated 10 July 2003 informed the SC that the said conditions imposed have been met
<ul style="list-style-type: none"> Full disclosure in the information circular to shareholders and the prospectus of the following matters:- <ul style="list-style-type: none"> (i) the basis of the doubtful debts not provided for in respect of any trade debtor which exceeds the six(6) month credit period; and (ii) details of non-trade debtors, i.e. amounts due from companies related to the SEB Group and its directors, including undertakings from the abovementioned debtors to settle the outstanding amounts within fourteen(14) days from the listing of Salcon on the Main Board of the KLSE 	Complied. Details are set out in Section 4.11 of this Prospectus
<p>9. AmMerchant Bank is required to furnish the SC with a final draft copy of the information circular to shareholders for the SC's perusal</p>	Complied. A copy of the draft information circular to shareholders was sent to the SC on 27 June 2003
<p>10. The ESOS is subject to the following conditions:</p>	
<p>(a) A final copy of the ESOS By-Laws is to be furnished to the SC for SC's records;</p>	Complied. A final copy of the ESOS By-Laws was furnished to the SC on 23 July 2003
<p>(b) A confirmation letter from AmMerchant Bank stating that:</p> <ul style="list-style-type: none"> - all of SC's conditions for approval have been met and the ESOS By-Laws do not contradict with the SC's Guidelines; and - the ESOS have been approved by all parties concerned and that all conditions have been fulfilled 	Will comply. The confirmation letter from AmMerchant Bank will be furnished to the SC on implementation of the ESOS
<p>The date of the letter of confirmation to be furnished to the SC as mentioned in the above paragraph (b) will signify the effective date for the launch/implementation of the ESOS; and</p>	

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
<p>A further extension of time from the duration fixed for the abovementioned ESOS has to be made known to the grantee and a relevant announcement is to be made to the relevant parties within 30 days prior to the expiry of the ESOS.</p>	
<p>11. SHCB is required to appoint an independent audit firm (which is experienced in investigative audit and must not be the current nor the previous auditors of SHCB) within two months from the date of the letter of approval from the SC to conduct an investigative audit on SHCB's previous business losses. SHCB is also required to take necessary/relevant steps to recover the said losses. Based on the findings of the investigative audit, SHCB is to report to the relevant authorities if there are any breach of any laws, rules, guidelines and/or memorandum and articles of SHCB involving members of the Board of SHCB and/or any other party that has caused the said losses of SHCB. The investigative audit is to be completed within six (6) months from the date of appointment of the independent audit firm. Two copies of the said investigative audit report must be made available to the SC after the completion of the investigative audit</p>	<p>Complied. Messrs Shamsir Jasani Grant Thornton has been appointed on 26 February 2003 to undertake the investigative audit</p> <p>Will comply. Two copies of the investigative audit report will be furnished to the SC after completion of the investigative audit</p>
<p>12. Full compliance with the requirements in relation to the implementation of the above proposals under the SC's Guidelines, particularly the Guidelines stated in Chapter 25</p>	<p>Will comply</p>
<p>13. The ESOS By-Laws of Salcon incorporate a clause stipulating that the allocation of additional options will not be made at any point in time after Salcon has implemented its share buy-back unless the options that have been granted pursuant to the ESOS are not in excess of ten percent (10%) of the issued and paid-up share capital of Salcon.</p>	<p>Complied. The clause is set out as By-Laws 3.2 and 14.3(d)</p>
<p>14. The Moratorium Shares are allowed to be pledged as long as there is no change in the beneficial ownership of the Moratorium Shares and the SC's approval is required for any disposal of the Moratorium Shares.</p>	<p>Will comply</p>
<p>15. An appropriate announcement is to be made to the KLSE on the SC's approval for the Asset Sale and extension of time to 31 October 2003 to complete the Restructuring Exercise.</p>	<p>Complied. The announcement was made on 2 July 2003</p>
<p>16. The private placement must be carried out by an independent placement agent.</p>	<p>AmMerchant Bank was appointed as the placement agent on 18 April 2003</p>
<p>17. Detailed disclosure on the private placement is to be made in the Prospectus.</p>	<p>Complied. Disclosure has been made in Section 2.3 of the Prospectus</p>
<p>18. A final list of placees is to be furnished to the SC prior to the completion of the placement exercise and a written confirmation that the placement exercise is in full compliance with the requirements of the SC's Policies and Guidelines on Issue/Offer of Securities.</p>	<p>Will comply</p>

2. PARTICULARS OF THE PUBLIC ISSUE (Cont'd)

Conditions Imposed By SC	Status of Compliance
19. The placement agent/AmMerchant Bank must endeavour to allocate at least 30% of the shares under the placement exercise to Bumiputera investors. The placement agent/AmMerchant Bank will only be allowed to place less than 30% of the said placement shares to Bumiputera investors after furnishing to the SC a written confirmation from the placement agent/AmMerchant Bank that the placement agent/AmMerchant Bank has not been successful in placing to the requisite Bumiputera placees after exhausting all avenues	Will comply

Conditions Imposed By MITI	Status of Compliance
1. SHCB is to obtain approvals from SC and FIC	Complied. SHCB has obtained approvals from SC on 26 December 2002, 31 December 2002, 2 June 2003 and 30 June 2003 and from FIC on 26 December 2002 and 7 March 2003.

Conditions Imposed By FIC	Status of Compliance
1. Salcon is to meet at least 30% Bumiputera equity interest upon listing	FIC had, vide its letter dated 7 March 2003 approved an extension of time of two(2) years from the listing date of Salcon. The aforementioned is noted and will be complied.

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3. RISK FACTORS

In evaluating an investment in the Public Issue Shares and the Offer Shares, prospective applicants should carefully consider all information contained in this Prospectus including but not limited to the general and specific risks of the following investment considerations:

(i) Political, Economic, Regulatory and Environmental Considerations

Adverse developments in the political and economic conditions in Malaysia and in countries that the Salcon Group operates currently and in future could unfavourably affect the prospects of the Salcon Group. These include changes in government policies, laws and regulations, interest rates, foreign exchange rates, tax rates, tariffs and duties.

The Salcon Group has adopted a proactive approach in keeping abreast of political, economic and social developments of the countries it operates in including the setting up of local representative offices in major operational areas with experienced employees.

(ii) Business Risks

The Salcon Group is principally involved in the design, construction, commissioning, operation and maintenance of municipal potable water, sewerage and industrial wastewater facilities, design, construction and commissioning of palm oil mills, provision of mechanical and electrical engineering services and investment holding and is subject to certain business risks inherent in these industries. These include but are not limited to the possibility of not being able to secure future contracts, scarcity of trained and experienced engineering, technical and supporting personnel, unforeseen requirements or weakness in design due to human errors, limitations of computer software, information or technology availability, raw material shortages, increases in cost of labour and material cost, changes in general economic, business and credit conditions, the entry of new players, changes in technology in treating water and wastewater as well as processing of palm oil and changes in the legal framework within which the said sectors operate. The Group is also subject to credit risk as billings are made on a progressive basis upon the completion of progress works and subject to approval by the customer. The same risks are also applicable to all other players in the industries.

The Salcon Group seeks to limit these risks through, inter alia, constantly tendering and/or negotiating for contracts from both the public and private sectors in Malaysia and overseas (as elaborated in Section 4.10 of this Prospectus), nurturing and maintaining good business relationship with its customers and consultants, providing better incentives and benefits to motivate and retain staff, expansion of market share and increasing its customer base. The Group practices a stringent credit control mechanism, conducts research and development and establishes smart partnerships with foreign partners for product/design innovation and creativity to keep abreast with changes in the market and technology. The Group also maintains a reliable quality management system for its operations. To date, WED has achieved the ISO9001:2000 and ISO14001:1996 accreditation.

The Salcon Group's ability to manage business risks can be gauged from its ability to maintain its growth during the recent regional economic crisis as reflected in its audited accounts for last five financial years. In promoting good corporate governance practices, the Directors of Salcon have also proposed to set up a Risk Management Committee to inter-alia, identify and evaluate key risks and strategies to manage or mitigate such risks as well as internal controls procedures. Nevertheless, no assurance can be given that changes to any of these factors will not have a material adverse impact on the Group's business.

3. RISK FACTORS (Cont'd)

The Salcon Group's clients include the various state water authorities. Should any respective state government implement privatisation in the water sector, this will have an impact on the Salcon Group to varying degrees. However, privatisation can take on numerous forms including corporatisation. As such, if and when privatisation is implemented, its final form may offer additional business opportunities for the Salcon Group. The Salcon Group's O&M contract in the state of Negeri Sembilan is for ten(10) years and subject to the implementation of privatisation, in which case there may be further negotiation on the award. The Salcon Group has requested for adequate notice of any impending implementation of privatisation.

(iii) Competition

The Salcon Group faces competition from various quarters, which include private and public companies both in Malaysia and in the countries in which the Salcon Group operates. The Salcon Group has been in the industry for more than 28 years and is now an established name in the industry. The Salcon Group had gone through two major economic recessions. On the average, its turnover and profits have been on an increasing trend in spite of many new entrants to the market.

Whilst no assurance can be given that the Salcon Group will be able to maintain its market share in the future, the Salcon Group believes that with its present business and marketing strategies, resources and based on historical track record, the Salcon Group should be able to at least maintain its market share in the foreseeable future.

The Group has managed to mitigate this risk through joint ventures with local/foreign partners and believes that with its business and marketing strategies, resources and good track record, the Group is well poised to face new challenges in the industries in which it operates.

Whilst the Group will continue to take effective measures to remain competitive and maintain the Group's existing market position, no assurance can be given that the Salcon Group will be able to maintain its market share in the future.

(iv) Dependence on Key Personnel

The Salcon Group believes that its continued success will depend to a significant extent upon the abilities and continued efforts of the existing directors and senior management. The loss of certain key members of the board of directors and senior management team may affect the Salcon Group's ability to compete competitively in the various economic sectors in which the Salcon Group is involved. However, the Salcon Group has adequate competent personnel and a succession programme. The Salcon Group's future success will also depend upon its ability to continually attract and retain competent personnel. It is the Salcon Group's practice to retain the services of these directors and senior management whenever possible. To reward its employees and to retain them in the Salcon Group, various measures such as allocation of shares to the eligible directors and employees of the Salcon Group under the "Pink Form Allocation" and ESOS will be implemented.

(v) Dependence on Certain Customers/Contractors and Suppliers

The Salcon Group depends on businesses which are on project to project basis, which vary in value. Thus, the Salcon Group may have certain projects which may contribute significantly to its turnover and profit at certain time or period. Apart from the revenue generated from turnkey contracting, a portion of income also comes from O&M activities. Revenue from O&M activities are generated from SEB's venture in Malaysia and Vietnam which will ensure a steady stream of income for the next 9 and 16 years respectively. Based on the historical track record of the Group, the Group has been able to tender and procure new projects to maintain a healthy level of projects.

3. RISK FACTORS (Cont'd)

It is a policy of the Group to source its raw materials from a large panel of suppliers to prevent incidence of disruption of the supply of raw materials. Furthermore, this will give the Group greater bargaining strength and flexibility in price negotiations with its suppliers.

The Salcon Group is also not solely dependent on any major contractors/suppliers, as the Salcon Group has established a wide network of contractors/suppliers. Such network is established through long-term relationships with most of its contractors over the past few years and experience in the industry cultivated over time.

The Salcon Group also adopts various measures to minimise risk of over dependency on certain contractors by:

- a) Adopting an open tender system in selecting contractors. The selection is made after due consideration of their experience, track record and qualifications; and
- b) Ensuring that contractors are not awarded contracts beyond their capacity. Under such circumstances, the Salcon Group continuously reviews and evaluates the work in progress and the performance quality of each of the projects awarded to ensure timely completion of projects to the required quality.

(vi) Investment on Overseas Ventures

At present, SEB has a 40% shareholding in EUCSB, an associated company, which in turn holds 90% equity interest in BAWC. BAWC holds an investment license to supply treated water in bulk for a remaining period of approximately sixteen(16) years to Ho Chi Minh City. This investment would generate a steady stream of income to the Group as EUCSB has begun to register profits. Income from this investment is expected to be sustainable as BAWC's collection/revenue is guaranteed by the People's Committee of Ho Chi Minh City, the legislative body reporting directly to the Prime Minister's Department.

SEB also holds 49% shareholding in CCI, which in turn owns 94.8% of PTIL. PTIL is involved in the cultivation of oil palm, processing and marketing of palm oil in the states of Karnataka and Andhra Pradesh in India.

Both projects are subject to the normal risks that an O&M of water treatment plant or palm oil mill would be exposed to, including adverse weather conditions, possible disruption in electricity supply and the possible deterioration in the quality and quantity of raw water or palm oil fruits.

Both projects are also subject to the sovereign risks of the countries in which they operate. However, BAWC has been in operations for approximately four(4) years and has not experienced undue problems. The company has been registering profits, which is expected to continue.

However, there is no assurance that the profits are sustainable in the long term. In such instance, the cost of investment in the books of Salcon may be reduced accordingly.

(vii) Foreign Exchange Fluctuation

The Salcon Group's revenue from foreign operations and businesses and products or equipments used for building of water and wastewater treatment plants and palm oil mills are mainly denominated in USD, Indian Rupees, Thai Baht, Vietnamese Dong, Indonesian Rupiah, Euro and Yen.

3. RISK FACTORS (Cont'd)

The risk of foreign exchange fluctuation on USD has been limited since the imposition of capital control vis-à-vis a fixed exchange rate for Ringgit against USD (RM3.80 to USD1.00) in September 1998. However, no assurance can be given that the uplifting of the aforesaid capital control or a change in the aforesaid fixed exchange rate will not have material adverse effect on the Salcon Group's business. Notwithstanding the above, the Salcon Group manages foreign exchange risk in currencies other than USD, by hedging the relevant transactions.

(viii) Ownership and Control by Substantial Shareholders

Upon completion of the Restructuring Exercise, KEB, MASB and ETSB will own 36.9%, 23.2% and 14.4% of Salcon's enlarged issued and paid-up share capital of 191,262,502 Salcon Shares respectively. As a result, they would be able to influence the outcome of certain matters requiring the vote of the Salcon's shareholders, unless they are required to abstain from voting and deliberation by law and/or the relevant authorities.

(ix) Profit Estimate and Forecast

The consolidated profit estimate and forecast of the Salcon Group is based on reasonable assumptions that are nevertheless subject to uncertainties and contingencies. Owing to the subjective judgments and inherent uncertainties of the estimate and forecast and given that events and circumstances frequently do not occur as expected, there can be no assurance that the financial estimate and forecast contained herein will be achieved and actual results may be materially different from those shown. Investors will be deemed to have read and understood the assumptions and the descriptions of uncertainties underlying the estimate and forecast contained herein.

(x) Disclosure regarding Forward Looking Statements

This Prospectus contains forward looking statements i.e. those other than statements of historical fact. Although the Salcon Group believes that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such expectations will materialise. Any deviation of the Salcon Group's actual performance from the expectations may or may not have an adverse effect on the Salcon Group's financial and business performance.

(xi) Investment Activities Risk

As at 15 July 2003, the Salcon Group is not involved in any material investment activities, save for investments in associated companies held for long term which is disclosed in Section 4.4.

The share of profits and dividends from its associated companies is dependent on their ability to maintain profitable operations. No assurance is given that its associated companies will continue to record profits nor it will sustain in the long term. In the event of losses suffered by its associated companies, the share of losses may or may not adversely affect the financial performance of the Salcon Group.

As a mitigating factor, the Board of Directors and the management would evaluate the Group's investments with due care prior to venturing into such exercise.

3. RISK FACTORS (Cont'd)

(xii) Financial Risks**Borrowings**

As at 15 July 2003, the Salcon Group has external borrowings amounting to approximately RM51 million. The Salcon Group anticipates further expansion in its businesses and a higher level of working capital. Some of the Salcon Group's working capital requirements are met partially by borrowings and internally generated funds. Given that the Salcon Group has borrowings and the payment of loan interest is dependent on the interest rate, future fluctuations of interest rates could have material effect on the Salcon Group's interest and principal repayments.

The borrowings of the Salcon Group for larger projects are on a project finance basis where interest and principal repayments are clearly matched by the revenue and payment stream generated by the respective projects.

The ability to access the equity markets upon listing will give the Salcon Group alternative resources to fund its growth and reduce its borrowing requirements.

Restrictive Covenants

Pursuant to credit facility agreements entered into by Salcon's subsidiaries with banks or financiers, they are bound by certain positive and negative covenants which may limit their operating and financial flexibility. The aforesaid covenants are of a nature which is commonly contained in credit facility agreements in Malaysia and countries which the Salcon Group operates in. Any act by the Salcon Group falling within the ambit or scope of such covenants will require the consent of the relevant bank/financier. Breach of such covenants may give rise to a right by the bank/financier to terminate the relevant credit facility and/ or enforce any security granted in relation to that credit facility. The Board of Directors are aware of such covenants and shall take all precautions necessary to prevent any such breach.

(xiii) Insurance Coverage on Assets

The Salcon Group is aware of the adverse consequences arising from inadequate insurance coverage that could cripple its business operation. In ensuring such risks are maintained to the minimum, the Salcon Group reviews and ensures adequate coverage for its assets and development projects on a continuous basis.

For the Salcon Group's operations, all assets such as plants, machinery, inventory, office equipment and furniture and fitting are sufficiently insured under fire and other insurance policies.

(xiv) Dependence on Particular Markets and Geographical Locations

The Salcon Group currently undertakes projects in the water and wastewater industries in Malaysia, Vietnam and Thailand. However, besides Malaysia, the Salcon Group will not be overly dependent on any particular markets and geographical locations in the near future as the Salcon Group is progressively expanding into new markets throughout Asia.

(xv) Material Litigation

Save as disclosed in Section 14.7 of this Prospectus, Salcon and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of Salcon do not have any knowledge of any proceedings pending or threatened against Salcon and its subsidiary companies or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of Salcon and its subsidiary companies.

3. RISK FACTORS (Cont'd)

(xvi) O&M Risks

The Salcon Group is also involved in the O&M of water treatment plants. The risks involved include the possible disruption of electricity supply, higher than projected increase in prices of chemicals, labour and other inputs required by the water treatment process, additional regulations imposed by the authorities and the possible deterioration in raw water supply. All these factors can result in higher operations costs should they occur. However, this is mitigated to a certain extent by "pass-through" formulas whereby the clients will compensate for the increase in costs.

(xvii) Quality of Treated Water

There is a risk that water leaving the treatment plant fails to meet the required standards. This risk is mitigated by:

- **Advanced Treatment Technology**

The Salcon Group has extensive experience in the water treatment process and utilises advanced and appropriate technologies to ensure that the water supplied to consumers meet the required standards and is capable of dealing with the irregularities of raw water supply.

- **Introduction of System Control and Data Acquisition ("SCADA") and Telemetry Systems**

SCADA and telemetry systems are utilised where appropriate to improve the monitoring of water supply facilities that are operated and maintained by the Salcon Group. These systems will enable on-time collection and reporting of various data and information of the water supply system and will thus facilitate necessary action in case of any shortcomings and deficiencies.

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