

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST**8.1 Related Party Transactions**

The following related party transactions were entered into on normal commercial basis which are no more favourable to the related parties than those extended to other parties.

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
	Management Services		
1.	Pursuant to Management Agreement dated 1 August 2002, SEB has engaged KE Management Services Sdn Bhd ("KEM") to provide management services such as company secretarial and legal services to SEB at RM13,600 per month. KEM is a wholly-owned subsidiary of KEB.	Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon) Teoh Seng Aun (Deemed substantial shareholder of Salcon) Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)	Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB. Teoh Seng Aun is deemed a substantial shareholder of KEB. Teoh Seng Kian is deemed a substantial shareholder of KEB.
2.	Sub Contracts Works SEB has awarded two contracts to KE Construction Sdn Bhd ("KECSB") relating to the Lancang (Melaka) Water Treatment Project : (1) surveying and setting works with value of RM59,441; and (2) earthworks and ancillary works for the construction of Bulk Excavation and Platform Earthworks at intake site, treatment work site and drainage access road to treatment works site with value of RM5,889,920. KECSB is a wholly-owned subsidiary of KEB.	Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon) Teoh Seng Aun (Deemed substantial shareholder of Salcon) Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)	Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB. Teoh Seng Aun is deemed a substantial shareholder of KEB. Teoh Seng Kian is deemed a substantial shareholder of KEB.

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8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
3.	<p>South City Plaza and Phase 2 service apartments</p> <p>The South City Plaza is owned and developed by Pujian Development Sdn Bhd ("Pujian"), a wholly-owned subsidiary of KEB. Trans MSB Sdn Bhd, a nominated sub-contractor of Pujian appointed SEB as the nominated sub-sub-contractor for the M&E works to this project.</p> <p>M&E services provided by SEB include fire protection systems, air conditioning and ventilation systems, electrical, telephone, PA, MATV, intercom systems, cold water and sanitary plumbing systems and liquified petroleum gas (LPG) systems. The value of the contract is RM17,285,000.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
4.	<p>Summit Segamat Johor</p> <p>The 3 storey shopping complex is owned and developed by Tashima Development Sdn Bhd ("Tashima"), a wholly-owned subsidiary of KEB. Trans MSB Sdn Bhd, a nominated sub-contractor of Tashima appointed SEB as the nominated sub-sub-contractor for the M&E works to this project.</p> <p>SEB novated the letter of award to SBSSB. M&E works provided by SBSSB include fire protection systems, air conditioning and ventilation systems, electrical, telephone, PA, MATV, intercom systems, cold water and sanitary plumbing and liquified petroleum gas (LPG) systems. The contract value is RM12,311,000.</p> <p>Details of the novation is set out in Section 14.5(i) of this Prospectus.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
5.	<p>Maintenance Charges</p> <p>SRSB currently occupies office space at the Menara Summit Subang USJ managed by Meda Complex Management (USJ) Sdn Bhd ("MCMSB"). Under the terms of the Maintenance Agreement between SRSB (the tenant) and MCMSB (the property manager), SEB is to pay RM1 per square foot of maintenance charges monthly to MCMSB. This amounts to RM11,195 per month.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is a substantial shareholder and director of MCMSB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder and director of MCMSB.</p> <p>Teoh Seng Kian is a substantial shareholder and director of MCMSB.</p>

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
6.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 15 February 2001 entered into between Tap Construction Sdn Bhd ("Tap"), SEB and Sejati Builders Sdn Bhd ("SBSB") in relation to a project known as "Cadangan Kompleks Perdagangan" situated at Lot PT. 33218, Mukim Petaling (Sri Kembangan), Daerah Petaling, Selangor Darul Ehsan ("Project"), wherein SBSB is the employer, Tap is the Main Contractor and SEB is the Nominated Sub Contractor. The parties agreed that an amount of RM15,176,923.86 is due and owing to SEB for work done under the Project. SBSB has agreed to pay the said sum to SEB in instalments over 36 months. Amount due from SBSB as at 15 July 2003 is RM4,363,220.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo, Teoh Seng Aun and Teoh Seng Kian at the material time of entry into the agreement were substantial shareholders of SBSB but as at 30 December 2002, are no longer substantial shareholders of SBSB.</p>
7.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 26 November 2002 between SEB and SBSB in relation to the balance sum outstanding to SEB comprising RM69,648.45 relating to the Proposed Residential (Phase 3B) Development on Lots 1324 & 1327, Mukim Batu, Daerah Gombak, Selangor Darul Ehsan, RM1,122,972.60 relating to the assignment of debt by SRSB to SEB and consented by SBSB and RM1,648.25 for provision of services comprising of PABX System Maintenance to SBSB. SBSB has agreed to offer shares in various public listed companies listed on the KLSE to SEB to settle the said outstanding sums. Amount due from SBSB as at 15 July 2003 is RM1,148,575.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo, Teoh Seng Aun and Teoh Seng Kian at the material time of entry into the agreement were substantial shareholders of SBSB but as at 30 December 2002, are no longer substantial shareholders of SBSB.</p>
8.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 21 February 2003 between SCESB and Isabel Timber Company Limited ("ITCL") (a subsidiary of KEB) in relation to an amount of USD378,638.79 owing by ITCL to SCESB as at 31 January 2003. It was agreed that ITCL shall settle in full the total debt outstanding to SCESB within fourteen(14) days after completion of the corporate restructuring of SHCB or within fourteen(14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. As at 15 July 2003, the same amount is still outstanding to SCESB.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

No	Nature and Extent of Transactions	Related Party(ies)	Nature of Relationship
9.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Products (S.I.) Limited ("SPSL") (a subsidiary of KEB) in relation to an amount of USD292,123.58 owing by SPSL to SCESB as at 31 January 2003. It was agreed that SPSL shall settle in full the total debt outstanding to SCESB within fourteen (14) days after completion of the corporate restructuring of SHCB or within fourteen (14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. As at 15 July 2003, the same amount is still outstanding to SCESB.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>
10.	<p>Settlement Agreement</p> <p>Settlement Agreement dated 21 February 2003 between SCESB and Sylvania Plantation Product (S.I.) Limited ("SPPL") (a subsidiary of KEB) in relation to an amount of USD544,996.06 owing by SPPL to SCESB as at 31 January 2003. It was agreed that SPPL shall settle in full the total debt outstanding to SCESB within fourteen (14) days after completion of the corporate restructuring of SHCB or within fourteen (14) days after the date on which the issued and paid up shares in the capital of Salcon is listed and quoted on the Official List of the Main Board of the KLSE. The amount due to SCESB as at 15 July 2003 is USD347,443.</p>	<p>Dato' (Dr) Teoh Seng Foo (Director of Salcon and SEB and deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Aun (Deemed substantial shareholder of Salcon)</p> <p>Teoh Seng Kian (Director of SEB and deemed substantial shareholder of Salcon)</p>	<p>Dato' (Dr) Teoh Seng Foo is deemed a substantial shareholder and director of KEB.</p> <p>Teoh Seng Aun is deemed a substantial shareholder of KEB.</p> <p>Teoh Seng Kian is deemed a substantial shareholder of KEB.</p>

The Directors of Salcon are of the opinion that the above transactions have been entered into in the ordinary course of business and have been established under negotiated terms.

In addition to the above, Salcon has inter-company balances due from KEB which arose from non-trade transactions. These balances are subject to interest charged at prevailing market rates. The said inter-company balances will be settled within fourteen(14) days from the listing of Salcon on the Main Board of the KLSE as described in Section 4.11 of this Prospectus.

8.2 Interest in Similar Business

None of the Director and substantial shareholder of Salcon has any interest, direct or indirect, in any business carrying on a similar trade as the Company and its subsidiary companies.

8. RELATED PARTY TRANSACTIONS/CONFLICT OF INTEREST (Cont'd)

8.3 Declaration by the Advisers

AmMerchant Bank has given its confirmation that there is no conflict of interest in its capacity as the Adviser in relation to the IPO.

Messrs Cheang & Ariff has given its confirmation that there is no conflict of interest in its capacity as the Solicitors for the IPO.

Messrs KPMG has given its confirmation that there is no conflict of interest in its capacity as the Auditor and Reporting Accountant in relation to the IPO.

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9. SUMMARY OF PROPERTIES

A summary of the properties owned by Salcon and its subsidiaries is as follows:

Registered/ Beneficial Owner	Location/Address	Description/ Existing Use	Tenure / (Approximate age of building)	Land Area/ (Approximate Built up area) Sq. meters	Net Book Value as at 31.1.2003
SEB	HS(D) 216, Plot No. 144, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,474/ (NA)	131,275
SEB	HS(D) 216, Plot No. 145, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,087/ (NA)	131,275
SEB	HS(D) 216, Plot No. 154, Mukim Ayer Panas, Daerah Jasin, Melaka	Vacant bungalow lot	99 years leasehold expiring on 20.02.2077	1,115/ (NA)	131,275
SRSB	Geran 39929, PT No. 42695, Mukim Damansara, Daerah Petaling/15 th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	Office space	Freehold (3 years)	NA/ (1,300.5)	5,413,149
SRSB	Geran 39930, PT No. 42696 Mukim Damansara, Daerah Petaling/16 th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan	Office space	Freehold (3 years)	NA/ (1,300.5)	5,425,561
ESB	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	Intermediate unit 1½ storey terraced factory	Freehold (6 years)	149/ (NA)	199,040
ESB	HS(D) 3422, Lot No. 3988, Mukim Damansara, Daerah Petaling, Selangor/No. 67, Jalan SS15/5A, 47500 Subang Jaya, Selangor Darul Ehsan	Intermediate unit 3 storey terraced shop-office	Freehold (23 years)	164/ (NA)	696,870
ESB	Plot Nos 1-176 of H.S. (D) 47860 P.T. No 770, Mukim Beranang, Daerah Hulu Langat	Vacant bungalow lot	NA	12,000 sq. feet/ (NA)	*324,000

Notes:

NA – Not available

* Stated at cost

10. FINANCIAL INFORMATION**10.1 Consolidated Profit and Dividend Record**

The following table has been extracted from the Accountants' Report set out in Section 12 of this Prospectus and should be read in conjunction with the notes and assumptions thereto.

The summarised proforma consolidated results of the Salcon Group for the financial years ended 31 July 1998 to 2002 and six(6) months ended 31 January 2003, assuming the Salcon Group has been in existence for the entire financial years/period under review, are set out below:

	----- Proforma ----->					6 months ended 31 January 2003 RM'000
	<----- Year ended 31 July ----->					
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	
Revenue	125,963	102,415	104,003	129,775	153,460	123,285
EBIDTA	9,354	13,239	12,918	16,959	16,185	18,781
Interest expense	(1,093)	(711)	(635)	(465)	(1,823)	(1,093)
Depreciation	(502)	(458)	(835)	(892)	(944)	(767)
Amortisation	(12)	(18)	(530)	(530)	(605)	(494)
	(1,607)	(1,187)	(2,000)	(1,887)	(3,372)	(2,354)
Operating profits	7,747	12,052	10,918	15,072	12,813	16,427
Share of profit/(loss) of associated company	(7)	(1)	2,098	1,827	4,070	2,052
Share of profit in joint venture	-	(a)	(a)	-	-	85
Profit from ordinary activities	7,740	12,051	13,016	16,899	16,883	18,564
Exceptional items ^(b)	-	-	(947)	-	-	-
Profit before taxation	7,740	12,051	12,069	16,899	16,883	18,564
Taxation ^(c)	(1,667)	-	1,010	(3,668)	(3,138)	(4,836)
Profit after exceptional items and taxation	6,073	12,051	13,079	13,231	13,745	13,728
Minority interest	-	-	(206)	(734)	(1,283)	(2,266)
Profit attributable to shareholders	6,073	12,051	12,873	12,497	12,462	11,462
Pre-tax profit margin (%)	6.14	11.77	12.52	13.02	11.00	15.06
Number of ordinary shares in issue during the year ('000)	20,000	20,000	20,000	20,000	20,000	20,000
Earnings per share (sen)						
- Gross ^(d)	38.70	60.26	64.05	80.83	78.00	92.82
- Net ^(e)	30.37	60.26	69.10	62.49	62.31	68.64

Notes:

- (a) Share of profit of joint venture had been proportionately taken up in revenue and contract cost recognised as an expense.
- (b) The exceptional items arose from unrealised foreign exchange loss and foreseeable loss written back.
- (c) Taxation has been adjusted for over/under provision in the respective years.
- (d) Gross earnings per share has been calculated based on proforma profit before exceptional items and taxation but after MI on the number of ordinary shares issued.
- (e) Net earnings per share has been calculated based on proforma profit before exceptional items but after taxation and MI on the number of ordinary shares issued.
- (f) There are no extraordinary items during the financial years/period under review.

10. FINANCIAL INFORMATION (Cont'd)

The summarised proforma consolidated results have been prepared based on the following assumptions:

- (i) The results and the effects of those investments disposed of during the past five financial years have been excluded from the proforma consolidated results.
- (ii) The current structure of the Group has been in existence throughout the years/period under review.

10.1.1 Segmental Analysis of Revenue and Operating Profit by Division**Analysis of Revenue by Division:**

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998 (RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
WED	70,918	56	71,415	70	55,070	53	94,344	73	126,143	82	83,774	68
WWD	-	-	-	-	-	-	-	-	14,140	9	30,377	25
AID	11,441	9	16,418	16	28,503	28	24,848	19	5,807	4	39	-
BSD	40,771	32	9,045	9	12,819	12	(1,029)	(1)	-	-	5,869	5
TSD	2,357	2	5,527	5	7,471	7	11,554	9	7,370	5	3,226	2
Others	476	1	10	-	140	-	58	-	-	-	-	-
Proforma Consolidated Revenue	125,963	100	102,415	100	104,003	100	129,775	100	153,460	100	123,285	100

Analysis of Operating Profit by Division:

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998 (RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
WED	6,347	82	12,470	103	11,631	107	14,855	99	10,727	84	9,679	59
WWD	-	-	-	-	-	-	-	-	1,905	15	6,915	42
AID	521	7	(146)	(1)	(212)	(2)	(420)	(3)	(801)	(6)	(45)	-
BSD	965	12	(411)	(3)	(627)	(6)	(362)	(2)	(205)	(2)	(186)	(1)
TSD	71	1	109	1	139	1	931	6	516	4	26	-
Others	(157)	(2)	30	-	(13)	-	68	-	671	5	38	-
Operating Profit	7,747	100	12,052	100	10,918	100	15,072	100	12,813	100	16,427	100
Share of profit / (loss) of associated company	(7)		(1)		2,098		1,827		4,070		2,052	
Share of profit in joint venture	-		-		-		-		-		85	
PBT before exceptional items	7,740		12,051		13,016		16,899		16,883		18,564	

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10. FINANCIAL INFORMATION (Cont'd)**10.1.2 Segmental Analysis of Revenue and Operating Profit by Geographical Location****Analysis of Revenue by Geographical Location:**

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998 (RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
Malaysia	113,599	91	28,374	28	57,815	56	105,143	81	145,673	95	120,266	98
Other South-East Asia (SEA) countries	10,347	8	56,708	55	38,749	37	21,030	16	7,540	5	3,002	2
India	1,400	1	15,638	15	-	-	12	-	-	-	-	-
Others	617	-	1,695	2	7,439	7	3,590	3	247	-	17	-
Proforma Consolidated Revenue	125,963	100	102,415	100	104,003	100	129,775	100	153,460	100	123,285	100

Analysis of Operating Profit by Geographical Location:

	Proforma											
	Financial Year Ended 31 July										Six(6) months ended 31.01.03	
	1998 (RM'000)	%	1999 (RM'000)	%	2000 (RM'000)	%	2001 (RM'000)	%	2002 (RM'000)	%	(RM'000)	%
Malaysia	6,316	82	2,866	24	3,609	33	11,211	74	11,481	90	15,671	95
Other SEA countries	574	7	8,049	67	7,119	65	2,943	20	1,319	10	896	6
India	434	6	1,131	9	5	-	579	4	-	-	(140)	(1)
Others	423	5	6	-	185	2	339	2	13	-	-	-
Operating Profit	7,747	100	12,052	100	10,918	100	15,072	100	12,813	100	16,427	100
Share of profit / (loss) of associated company	(7)		(1)		2,098		1,827		4,070		2,052	
Share of profit in joint venture	-		-		-		-		-		85	
PBT before exceptional items	7,740		12,051		13,016		16,899		16,883		18,564	

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10. FINANCIAL INFORMATION (Cont'd)**10.2 Directors' Declaration on Financial Performance**

Save as disclosed in Sections 1.10 and 10.3 of this Prospectus, the Directors are of the view that the financial conditions and operations of the Company and its subsidiaries are not affected by any of the following:

- (i) any known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the financial performance, position and operations of the Salcon Group;
- (ii) any material commitment for capital expenditure;
- (iii) any unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the Salcon Group;
- (iv) any substantial increase in revenue; and
- (v) any known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position of the Group.

10.3 Working Capital, Borrowings, Material Litigation, Contingent Liabilities and Capital Commitments**(i) Working Capital**

The Directors of Salcon are of the opinion that, after taking into account the cashflow forecast, banking facilities available and the gross proceeds from the IPO, the Group will have adequate working capital for its present and foreseeable future requirements.

(ii) Borrowings

As at 15 July 2003 (being the last practicable date prior to the printing of this Prospectus) the total borrowings of the Salcon Group amounted to approximately RM51 million comprising term loans, trust receipts, letters of credit, banker's acceptance and hire purchase financing.

(iii) Contingent Liabilities

As at 15 July 2003, being the last practicable date prior to the printing of this Prospectus, Salcon and its subsidiaries do not have any contingent liabilities save for the following:

As at 15 July 2003	RM'000
Guarantees and contingencies relating to borrowings of associated companies	13,680
Bank guarantee as performance and tender guarantee given to third parties	54,048
Total	67,728

10. FINANCIAL INFORMATION (Cont'd)

(iv) Material Capital Commitments

As at 15 July 2003 (being the latest practicable date prior to the printing of Prospectus), Salcon and its subsidiaries do not have any material capital commitments.

(v) Material Litigation

Save as disclosed in Section 14.7 of this Prospectus, Salcon and its subsidiaries are not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of Salcon and its subsidiaries and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of Salcon and its subsidiaries.

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10. FINANCIAL INFORMATION (Cont'd)**10.4 CONSOLIDATED PROFIT ESTIMATE AND FORECAST AND ASSUMPTIONS FOR THE FINANCIAL YEARS ENDING 31 JULY 2003 AND 2004
(Prepared for inclusion in the Prospectus)****10.4.1 Consolidated profit estimate for the financial year ending 31 July 2003****Salcon Berhad
and its subsidiary companies****Consolidated profit estimate for the year ending
31 July 2003**

Barring unforeseen circumstances, the Directors of Salcon Berhad estimate that the consolidated profit after taxation of Salcon Group for the financial year ending 31 July 2003 which includes the audited financial results for the six-month ended 31 January 2003, will be as follows:

	Estimate before proposed listing proposal** RM'000	Adjustments to reflect the proposed listing proposal*** RM'000	Estimate after proposed listing proposal RM'000
Turnover	242,093	(232,006)	10,087
EBITDA*	47,265	(45,504)	1,761
Depreciation and amortisation	(2,706)	2,593	(113)
Profit before interest and taxation	44,559	(42,911)	1,648
Interest expense	(5,307)	5,086	(221)
Profit before taxation and exceptional item	39,252	(37,825)	1,427
Exceptional item****	-	(28,833)	(28,833)
Profit/(Loss) before taxation	39,252	(66,658)	(27,406)
Taxation	(9,974)	9,558	(416)
Profit/(Loss) after taxation but before minority interest	29,278	(57,100)	(27,822)
Minority interest	(2,877)	2,757	(120)
Profit/(Loss) after taxation and minority interest	26,401	(54,343)	(27,942)
Number of ordinary shares in issue ('000)	20,000		191,263
Weighted average number of ordinary shares in issue ('000)	20,000		7,969
Net earnings per ordinary share based on weighted average number of ordinary shares (sen)	132.01		(350.63)

* Earnings before interest expense, taxation, depreciation and amortisation.

** The consolidated profit forecast before proposed listing proposal will be the profit forecast for the year ending 31 July 2003 of the Salcon Engineering Berhad ("SEB") Group.

*** The adjustments include the eleven and a half months pre-acquisition reserves prior to the effective date of acquisition of SEB by Salcon in mid July 2003, calculated on a pro-rata basis.

**** Being the payment of RM28.0 million in cash to Seng Hup Corporation Berhad (Special Administrators Appointed) ("SHCB") creditors, approximately RM0.4 million worth of Salcon Shares to the Special Administrators and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB shareholders pursuant to the Proposed Debt Settlement.

10. FINANCIAL INFORMATION (Cont'd)**10.4.2 Consolidated profit forecast for the financial year ending 31 July 2004****Salcon Berhad
and its subsidiary companies****Consolidated profit forecast for the year ending
31 July 2004**

Barring unforeseen circumstances, the Directors of Salcon Berhad forecast that the consolidated profit after taxation of Salcon Group for the financial year ending 31 July 2004 will be as follows:

	RM'000
Turnover	<u>388,575</u>
EBITDA*	52,540
Depreciation and amortisation	(3,306)
Profit before interest and taxation	<u>49,234</u>
Interest expense	(5,312)
Profit before taxation	<u>43,922</u>
Taxation	(12,199)
Profit after taxation but before minority interest	<u>31,723</u>
Minority interest	(1,833)
Profit after taxation and minority interest	<u>29,890</u>
Number of ordinary shares in issue ('000)	<u>191,263</u>
Net earnings per ordinary share based on number of ordinary shares in issue (sen)	<u>15.63</u>

* *Earnings before interest expense, taxation, depreciation and amortisation.*

10. FINANCIAL INFORMATION (Cont'd)

The principal bases and assumptions upon which the above consolidated profit estimate and forecast have been made are set out below.

1. Inflation and interest rates will remain at current levels.
2. There will be no material changes in present legislation or government regulations, rates and duties, levies and taxes, which will adversely affect the operations of the Salcon Group or the markets in which it operates.
3. The Salcon Group will not be affected by industrial disputes or any other abnormal factors or changes affecting operations or sales at their forecast levels or disrupt its planned operations.
4. There will be no material changes in the prevailing political, economic and market conditions in and outside Malaysia which will adversely affect the activities or performance of the Salcon Group.
5. There will be no material changes in the current principal activities, composition and structure of the Salcon Group.
6. There will be no material changes in the Salcon Group's current management and existing accounting, management and operational policies.
7. The Directors assume that there will be no significant disruptions in the operations and supply of raw materials or any unfavourable conditions that will adversely affect the activities of the Salcon Group.
8. There will be no material increase in wages, raw materials and other costs.
9. Capital expenditure will be incurred as planned.
10. Existing financing facilities are assumed to remain available to the Salcon Group and interest rates will not change significantly from those presently prevailing. In addition, the Salcon Group will be able to obtain financing facilities at the present prevailing interest rates.
11. The exchange rates of foreign currencies against the Malaysian Ringgit are assumed to be as follows: -
 - USD is assumed to be continuously pegged at the fixed exchange rate of RM3.80 to USD1.00
 - Indonesian Rupiah translated to Ringgit Malaysia at the rate of RM0.03 to IDR100
 - Indian Rupees translated to Ringgit Malaysia at the rate of RM7.77 to Rs100
12. The gross proceeds of RM35 million from the proposed public issue will be received by early September 2003 and utilised as follows :

	RM'000
Debt settlement to Seng Hup Corporation Berhad creditors	28,000
Working capital	4,540
Estimated restructuring and listing expenses	2,500

	35,040
	=====

10. FINANCIAL INFORMATION (Cont'd)

10.5 REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST OF THE SALCON GROUP FOR THE FINANCIAL YEARS ENDING 31 JULY 2003 AND 2004
(Prepared for inclusion in the Prospectus)



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Chartered Accountants
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The Board of Directors
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

22 July 2003

Dear Sirs

Reporting accountants' letter on the consolidated profit estimate for the year ending 31 July 2003 and consolidated profit forecast for the year ending 31 July 2004

We have reviewed the accounting policies and calculations for the consolidated profit estimate for the year ending 31 July 2003 and the consolidated profit forecast for the year ending 31 July 2004 of Salcon Berhad ("Salcon") and its subsidiary companies ("Salcon Group"), for which the Directors are solely responsible, as set out in the Prospectus in connection with the public issue of 29,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share and offer for sale of 17,920,000 existing ordinary shares at a placement price of RM1.20 each per ordinary share and the listing and quotation of the entire enlarged issued and paid up share capital of 191,262,502 ordinary shares of RM0.50 each in Salcon on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion, the consolidated profit estimate for the year ending 31 July 2003 and the consolidated profit forecast for the year ending 31 July 2004, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted by Salcon Berhad and its subsidiaries companies.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/03(J)



KPMG, a partner in established under Malaysian law, is a member of KPMG network, a Swiss association.

10. FINANCIAL INFORMATION (Cont'd)**10.6 DIRECTORS' COMMENTARY ON THE CONSOLIDATED PROFIT ESTIMATE AND FORECAST****Profit estimate and forecast for the financial years ending 31 July 2003 and 2004**

Salcon is an investment holding company with a wholly-owned subsidiary, SEB. As at 15 July 2003, SEB has 14 subsidiary companies and 4 associated companies. Details of all of SEB's subsidiary and associated companies are set out in Sections 4.4.2 to 4.4.19 of this Prospectus. Its financial year end is at 31 July.

SEB Group's profit after tax and minority interest for the financial year ending 31 July 2003 is estimated at RM26.4 million. Contributions from recurring sources of income namely from the concession in Vietnam and from its operations and maintenance contracts in Malaysia contribute about 31% of net profit, with the remainder derived largely from its contracts for water and wastewater projects.

Contribution from its water and wastewater divisions constitutes about 90% of the estimated turnover.

Incorporating the results of the Restructuring Exercise as set out in Section 5 of this Prospectus, the Salcon Group will post a loss after taxation and minority interest of RM27.9 million for the financial year ending 31 July 2003. This is as a result of taking in only half a month of SEB's profits (as the completion date of acquisition of SEB by Salcon is 16 July 2003) and more importantly, as a result of recognising exceptional items amounting to RM28.8 million (being payment of RM28.0 million in cash to SHCB's creditors, approximately RM0.4 million worth of Salcon Shares to the SA and/or creditors' agent and approximately RM0.4 million worth of Salcon Shares to SHCB's shareholders). The management has consciously adopted a conservative policy of recognising the entire amount as an exceptional item in this financial year.

In 2004, Salcon will realise the full year's results of the SEB Group. The Salcon Group's turnover is forecast at RM389 million. For this period, some of the larger projects that will be completed include the Lancang, Sungkai, Perak Hilir and the Min Buri water treatment projects. The local operation and maintenance contracts from Jabatan Bekalan Air Negeri Sembilan is expected to contribute about RM23 million in turnover in 2004. The contribution from the wastewater division will increase to 13% and together with the contribution from the water division, they will constitute 93% of total turnover.

Salcon expects to secure a further RM600 million worth of new contracts in 2004 from its various divisions, but mainly from water and wastewater projects, both domestically as well as regionally, as Salcon builds on its strength and continue to focus on its WWD.

Recurring income from water projects will continue to contribute a substantial component, i.e. approximately 30% of Salcon's forecast profit after tax and minority interest of RM29.8 million.

The Directors of Salcon have reviewed and analysed the reasonableness of the bases and assumptions in arriving at the profit estimate and forecast for the financial years ending 31 July 2003 and 2004 and are of the opinion that they are fair and reasonable in the light of the projects secured during the year, projects being identified for tendering and negotiation, future prospects of the industries, and Salcon's level of gearing, liquidity, overheads and working capital arrangement.

10. FINANCIAL INFORMATION (Cont'd)**10.7 Sensitivity Analysis**

The following sensitivity analysis is prepared by the management of the Group and have not been independently verified by the Reporting Accountant. It is based on the forecast assumptions set out in Section 10.4 above and assuming all factors remaining unchanged except for the 5% and 10% upward or downward variations in the turnover and the cost of sales. Notwithstanding the impact of the variations in the turnover and cost of sales as outlined here, there may exist other factors which have not been taken into account, while variations may have a significant effect, either positively or negatively, on the financials of the Group. The sensitivity analysis is as follows:

10.7.1 Variation in Turnover**Estimate for the financial year ending 31 July 2003**

	Turnover RM'000	Cost RM'000	Gross Profit RM'000	PBT RM'000	PAT RM'000	Net Profit RM'000
As Forecast	242,093	190,003	52,090	39,252	29,278	26,401
Up to 10%	266,302	209,003	57,299	44,461	33,028	30,151
Up to 5%	254,198	199,503	54,695	41,857	31,154	28,277
Down 5%	229,988	180,503	49,485	36,647	27,402	24,525
Down 10%	217,884	171,003	46,881	34,043	25,528	22,651

10.7.2 Variation in Operating Cost**Estimate for the financial year ending 31 July 2003**

	Turnover RM'000	Cost RM'000	Gross Profit RM'000	Operating Cost RM'000	PBT RM'000	PAT RM'000	Net Profit RM'000
As Forecast	242,093	190,003	52,090	21,625	39,252	29,278	26,401
Up to 10%	242,093	190,003	52,090	23,788	37,089	27,721	24,844
Up to 5%	242,093	190,003	52,090	22,706	38,171	28,500	25,623
Down 5%	242,093	190,003	52,090	20,544	40,333	30,056	27,179
Down 10%	242,093	190,003	52,090	19,463	41,414	30,835	27,958

10.8 Dividend Forecast and Policy

In view of Salcon completing the Restructuring Exercise at the end of the financial year ending 31 July 2003, the Directors of Salcon will not be declaring any dividends for the financial year ending 31 July 2003.

However, based on the consolidated profit forecast for the financial year ending 31 July 2004 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of Salcon anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of 2.60 sen per Share for the financial year ending 31 July 2004, based on the enlarged issued and paid-up share capital of 191,262,502 Shares.

It will be a policy of the Directors in recommending dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for the future growth of the Group.

10. FINANCIAL INFORMATION (Cont'd)

The intended appropriation of the forecast consolidated PAT for the financial year ending 31 July 2004 would be as follows:

	Financial Year Ending 31 July 2004 RM'000
Consolidated PBT	43,922
Taxation	(12,199)
Consolidated PAT but before MI	31,723
Minority interest	(1,833)
	29,890
Proposed dividend	(4,973)
Consolidated retained profit for the year	24,917
Gross dividend per Share (sen)	2.60
Net dividend per Share (sen)	2.60
Gross dividend per Share (%)	5.20
Net dividend yield based on the Public Issue/Offer price of RM1.20 per Share (%)	2.17
Net dividend coverage (times)	6.01

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10. FINANCIAL INFORMATION (Cont'd)**10.9 PROFORMA CONSOLIDATED BALANCE SHEETS OF SALCON GROUP AS AT 31 January 2003**
*(Prepared for inclusion in the Prospectus)***Salcon Berhad
and its subsidiary companies****Consolidated proforma balance sheets**
As at 31 January 2003
(Prepared for inclusion in the Prospectus)

The Proforma Consolidated Balance Sheets of Salcon Group as set out below have been prepared solely for illustrative purposes to show the effects on the audited consolidated balance sheet as at 31 January 2003 had the following events been completed on that date.

Proforma	(1)	(2)	(3)	(4)	(5)
	After Share Exchange	After (1) and Acquisition of SEB by Salcon	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and Proposed ESOS
(RM'000)					
Property, plant and equipment	-	17,521	17,521	17,521	17,521
Investment in associate companies	-	65,723	65,723	65,723	65,723
Other investment	-	140	140	140	140
Intangible asset	-	28,417	28,417	-	-
Goodwill	-	3,604	3,604	3,604	3,604
	28,417	115,405	115,405	86,988	86,988
Current Assets					
Inventories	-	258	258	258	258
Trade and other receivables	-	204,260	204,260	204,260	204,260
Tax recoverable	-	7	7	7	7
Cash and cash equivalents	**	16,138	51,178	20,678	43,629
	**	220,663	255,703	225,203	248,154
Current Liabilities					
Trade and other payables	28,000	157,974	157,974	129,974	129,974
Borrowings	-	64,043	64,043	64,043	64,043
Taxation	-	2,471	2,471	2,471	2,471
	28,000	224,488	224,488	196,488	196,488
Net Current (Liabilities)/Assets	** (28,000)	(3,825)	31,215	28,715	51,666
	** 417	111,580	146,620	115,703	138,654

10. FINANCIAL INFORMATION (Cont'd)

Proforma	(1)	(2)	(3)	(4)	(5)
Audited Balance Sheet of Salcon	After Share Exchange	After (1) and Acquisition of SEB by Salcon	After (2) and Public Issue	After (3) and Debt Settlement	After (4) and Proposed ESOS
(RM'000)					
Financed by:					
Capital And Reserves					
Share Capital	417	80,615	95,215	95,631	105,194
Share premium	-	-	20,440	17,940	31,328
Reserves	-	24,952	24,952	(3,881)	(3,881)
Shareholders' funds	417	105,567	140,607	109,690	132,641
Minority Shareholders' Interests	-	4,782	4,782	4,782	4,782
Long Term And Deferred Liabilities					
Borrowings	-	1,109	1,109	1,109	1,109
Deferred taxation	-	122	122	122	122
	417	111,580	146,620	115,703	138,654
Net tangible assets per share (RM)	(33.60)	0.29	0.43	0.42	0.49

** RM1

10. FINANCIAL INFORMATION (Cont'd)

**NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF SALCON GROUP
AS AT 31 JANUARY 2003
(Prepared for inclusion in the Prospectus)**

Notes to the Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003**1. Basis of preparation**

The Proforma Consolidated Balance Sheets of the Salcon Group as set out above have been prepared solely for illustrative purposes, is based on the audited financial statements of Salcon and Salcon Engineering Berhad ("SEB") as at 31 January 2003, and on the assumption that the following transactions had been effected on 31 January 2003. The accounting policies, basis and assumptions used in the preparation of the Proforma Consolidated Balance Sheets are consistent with those adopted by SEB or Salcon Group.

(i) Incorporation of Salcon

The incorporation of Salcon, involving the establishment of a new private limited company in Malaysia, is to be used as an investment holding company to facilitate the restructuring of Seng Hup Corporation Berhad ("SHCB"). Salcon was subsequently converted to be a public limited company on 24 February 2003. Salcon will later assume the listing status of SHCB pursuant to the Listing Proposals of SEB and SHCB will be delisted.

(ii) Proforma 1 – Share exchange

Salcon is to acquire 100% of SHCB via the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon ("Salcon Shares") at an issue price of RM0.50 per Salcon Share to the existing shareholders of SHCB on the basis of one (1) new Salcon Share for every twenty four (24) shares in SHCB held, i.e. shareholders of SHCB will receive 833,250 Salcon Shares in exchange for 19,998,000 Shares in SHCB held by them.

Upon completion of the share exchange, SHCB will become a wholly-owned subsidiary of Salcon. It is the intention of Salcon to acquire and hold SHCB exclusively for the implementation of the Listing Proposals of SEB with a view of its subsequent disposal.

Upon completion of the Listing Proposals of SEB, Salcon will become the investment holding company for the restructured group.

(iii) Proforma 2 – Acquisition of SEB by Salcon

Proforma 2 incorporates the effects of Proforma 1 and acquisition of SEB by Salcon.

Salcon is to acquire the entire issued and paid-up share capital of SEB from SEB's existing shareholders, namely Kumpulan Emas Berhad ("KEB"), Mampu Alam Sdn Bhd ("MASB") and Eminent Triumph Sdn Bhd ("ETSB") (collectively known as "SEB Vendors") for a total consideration of RM80,198,000 to be satisfied by the issuance of 160,396,000 Salcon Shares at an issue price of RM0.50 per Salcon Share.

Upon completion of the acquisition, SEB will become a wholly owned subsidiary of Salcon. Subsequently, the principal activities of the SEB group of companies will be the core business of the Salcon Group.

Proforma 2 also incorporates the effects of SEB group of companies assuming that the investment in preference shares of Palm Tech India Ltd has been completed.

10. FINANCIAL INFORMATION (Cont'd)**(iv) Proforma 3 – Public issue**

Proforma 3 incorporates the effects of Proforma 1 and 2 and public issue.

Upon completion of the acquisition, Salcon will undertake a public issue of 29,200,000 new ordinary shares of RM0.50 each in Salcon at an indicative issue price of RM1.20 per share. The shares will be issued to the eligible directors and employees of SEB group of companies and the Malaysian public.

The public issue of Salcon shares will enable Salcon to raise RM35 million, of which RM28 million cash will be utilised for the debt settlement to SHCB's Creditors.

(v) Proforma 4 – Debt settlement

Proforma 4 incorporates the effects of Proforma 1, 2 and 3 and debt settlement.

Proforma 4 incorporates the issuance of 833,250 new ordinary shares of RM0.50 each in Salcon Shares at par to the Creditors of SHCB.

Apart from that, the proceeds to be raised from the public issue of Salcon shares at an issue price of RM1.20 per share will amount to RM35 million and is to be utilised as follows:

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

(vi) Proforma 5 – Proposed Employee Share Option Scheme (Proposed ESOS)

Salcon proposes to offer to eligible employees (including eligible executive directors) of Salcon, the options to subscribe for Salcon Shares. The maximum number of new Salcon Shares offered under the Proposed ESOS shall not exceed 10% of the issued and paid-up share capital of the SEB at any point in time during the duration of the proposed ESOS. The Directors of Salcon assume that the Proposed ESOS will be fully exercised.

2. Offer for Sale and/or Placement, Transfer of Listing Status and Transfer of Salcon Shares to the Main Board of the KLSE

Upon the completion of the Share Exchange, Acquisition of SEB by Salcon, Public Issue, Debt Settlement and Offer for Sale and/or Placement, the listing status of SHCB on the Second Board of the KLSE shall be transferred to Salcon. Consequently, SHCB will be de-listed from the Second Board of the KLSE.

Subsequently Salcon will be seeking to transfer the listing and quotation for its entire issued and paid-up share capital comprising 191,262,502 Salcon Shares from the Second Board to the Main Board of the KLSE.

These three (3) events do not have any effect on the Proforma Consolidated Balance Sheets of the Salcon Group as at 31 January 2003.

10. FINANCIAL INFORMATION (Cont'd)**3. Share capital**

The movements in the issued and paid-up capital of the Salcon Group are as follows: -

	No. of Salcon Shares
Existing issued and paid-up share capital as at 31 January 2003	2
Shares to be issued pursuant to the Share Exchange	833,250
	<u>833,252</u>
Shares to be issued pursuant to the Acquisition of SEB by Salcon	160,396,000
	<u>161,229,252</u>
Shares to be issued pursuant to the Public Issue	29,200,000
	<u>190,429,252</u>
Shares to be issued to SHCB's Creditors as part of the Debt Settlement	833,250
	<u>191,262,502</u>
Shares to be issued pursuant to the exercise of ESOS options	19,126,000
Enlarged issued and paid-up share capital	<u>210,388,502</u>

4. Share premium account

The movements in the share premium account of Salcon Group are as follows: -

	RM'000
Existing	-
Arising from the Share Exchange	-
	<u>-</u>
Arising from the Acquisitions of SEB by Salcon	-
	<u>-</u>
Arising from the Public Issue	20,440
	<u>20,440</u>
Less: Estimated restructuring and listing expenses	(2,500)
	<u>17,940</u>
Arising from the full exercise of ESOS options	13,388
	<u>31,328</u>

10. FINANCIAL INFORMATION (Cont'd)

**10.10 REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED
BALANCE SHEETS AS AT 31 JANUARY 2003**
(Prepared for inclusion in the Prospectus)



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Chartered Accountants
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The Board of Directors
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

22 July 2003

Dear Sirs

**Reporting accountants' letter on the proforma consolidated balance sheets as at 31
January 2003**

We have reviewed the Proforma Consolidated Balance Sheets of Salcon Berhad ("Salcon") and its subsidiary companies ("Salcon Group") as at 31 January 2003, together with the notes thereon, for which the Directors are solely responsible, as set out in the Prospectus in connection with the public issue of 29,200,000 new ordinary shares of RM0.50 each at an issue price of RM1.20 per ordinary share and offer for sale of 17,920,000 existing ordinary shares at a placement price of RM1.20 each per ordinary share and the listing and quotation of the entire enlarged issued and paid up share capital of 191,262,502 ordinary shares of RM0.50 each in Salcon on the Main Board of Kuala Lumpur Stock Exchange.

In our opinion, the Proforma Consolidated Balance Sheets and the accompanying notes, which have been prepared for illustrative purposes only, have been properly compiled on the basis set out in the notes to the Proforma Consolidated Balance Sheets.

Yours faithfully

KPMG
Firm Number: AF 0758
Chartered Accountants

Hew Lee Lam Sang
Partner
Approval Number: 1862/10/03(J)



KPMG, a partnership established under Malaysian law, is a member of KPMG, an international Swiss association.



11. **DIRECTORS' REPORT**

(Prepared for Inclusion in the Prospectus)

SALCON BERHAD

(Company No. : 593796-T)
17th Floor, Menara Summit, Persiaran Kewajipan, USJ1,
47600 UEP Subang Jaya, Selangor Darul Ehsan

Date : 23 JUL 2003

The Shareholders
Salcon Berhad
17th Floor, Menara Summit
Persiaran Kewajipan,
USJ 47600 UEP Subang Jaya
Selangor Darul Ehsan

Dear Sir/Madam,

On behalf of the Board of Directors of Salcon Berhad ("Salcon"), I wish to report that after due enquiry during the period between 31 January 2003 (being the date to which the last audited accounts of Salcon and its subsidiaries ("Group") have been made up) to the date hereof, (being a date not earlier than 14 days before the issuance of this Prospectus) :-

- i) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- ii) in the opinion of the Directors, no circumstances have arisen since the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- iv) save as disclosed in Section 10.3 of this Prospectus, there are no contingent liabilities that have arisen by reason of any guarantees or indemnities given by the Group; and
- v) save as disclosed in the "Proforma Consolidated Balance Sheets" and the "Accountant's Report" as set out in this Prospectus, there have been no changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

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



TAN SRI RAZALI ISMAIL
Chairman