

SALCON BERHAD (“SALCON” OR “THE COMPANY”)

MEMORANDUM OF UNDERSTANDING BETWEEN SALCON ENGINEERING BERHAD, A WHOLLY OWNED SUBSIDIARY OF THE COMPANY, AND TANJUNG PIAI MARITIME INDUSTRIES SDN. BHD.

1.0 Introduction

Pursuant to Chapter 9 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Salcon wishes to announce that Salcon Engineering Berhad (Company No. 18161-H) (“SEB”), a wholly-owned subsidiary of Salcon, had on 27 August 2015 entered into a Memorandum of Understanding (“MOU”) with Tanjung Piai Maritime Industries Sdn Bhd (Company No. 943274-D) (“TPMISB”) for exploratory efforts in the establishment of water supply and sewerage treatment infrastructure to the new development at Tanjung Piai Integrated Petroleum and Maritime Industrial Park (“TPIPMIP”), Mukim Serkat, Daerah Pontian, Johor Darul Takzim (“Project”).

TPMISB desires to develop the TPIPMIP, a large scale integrated petroleum, petrochemical and maritime industries and other oil and gas-related services industrial park covering 3,485 acres in the state of Johor Darul Takzim.

As part of the overall development plan, TPMISB needs to ensure that water supply and sewerage system will be provided to the facilities, end users and tenants at TPIPMIP.

2.0 Information on TPMISB

TPMISB is a private limited company incorporated under the Companies Act, 1965 (“the Act”) with place of business at No. 38, Jalan Pengacara U1/48, Seksyen U1, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan. TPMISB is a wholly-owned subsidiary of Benalec Holdings Berhad (Company No. 702653-V) (“Benalec”), a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

3.0 Salient terms of the MOU

- 3.1 The purpose of the MOU is to set out the intentions and mutual understanding of SEB and TPMISB in connection to the proposal as stated under Section 3.2 below. TPMISB will be guaranteed by Benalec for the purposes of the Project and TPMISB’s obligations shall also be guaranteed by Benalec.
- 3.2 TPMISB/Benalec and SEB (collectively known as “Parties”) shall initiate discussions and form definitive contract, including the obligations of both Parties, within a period of six (6) months (“MOU Period”) from the date of the MOU or such further period(s) as may be mutually agreed upon by the Parties (“MOU Extended Period”) for the establishment of water supply and sewerage treatment infrastructure in TPIPMIP (“Proposal”).

3.3 The MOU is not intended to create any legal relationship between the Parties but shall constitute a contractually binding agreement between the Parties in respect of the Proposal only if a definitive agreement pursuant to the Proposal has been entered into upon such other terms as mutually agreed by both Parties.

4.0 Rationale

Both TPMISB and SEB would like to explore various avenues in the establishment of water supply and sewerage treatment and reticulation infrastructure to the new development at TPIPMIP.

5.0 Effects of the MOU

The MOU will not have any material effects on the earnings per share, net assets per share and gearing of Salcon Group for the financial year ending 31 December 2015. However, it is expected to contribute positively to the future earnings of Salcon Group should the Project materialize eventually. It will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as well.

6.0 Directors' and Major Shareholders' Interest

None of the Directors and/or major shareholders of the Company and persons connected with them have any interest, direct or indirect, in the MOU.

7.0 Directors' Statement

The Board of Directors of Salcon is of the opinion that the MOU is in the best interest of the Company.

This announcement is dated 27 August 2015.