

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

PROPOSED ACQUISITION OF AN ADDITIONAL 1,500,000 ORDINARY SHARES OF RM1.00 EACH, IN SIGNCHARGE SDN BHD (“SCSB”), REPRESENTING 51.1% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF SCSB BY SALCON WATER INTERNATIONAL LTD (“SWIL”), A WHOLLY-OWNED SUBSIDIARY OF SALCON, FROM MR SEE CHE CHI (“SCC”) (“PROPOSED ACQUISITION”)

1. INTRODUCTION

Pursuant to Paragraph 10.05 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”), the Board of Directors of Salcon, wishes to announce that on 5 January 2017, SWIL has entered into a Sale and Purchase Agreement (“SPA”) with SCC for the acquisition of an additional 1,500,000 ordinary shares of RM1.00 each in SCSB representing 51.1% of the issued and paid-up share capital of SCSB together with all rights attached thereto free from all charges, liens and other encumbrances and on the terms and subject to the conditions contained in the SPA from SCC for a total purchase consideration of RM600,000.00 (“Purchase Consideration”).

2. DETAILS OF THE PURCHASE CONSIDERATION

The Purchase Consideration shall be paid in full within 30 days from the date of SPA or such other date as SWIL and SCC may mutually agree in the following manner:-

- (a) SWIL shall forward to SCC a cheque/bank draft for RM600,000.00 only made in favour of SCC;
or
- (b) SCC shall set off the amount equivalent to the Purchase Consideration from the monies SCC is required to repay to SWIL pursuant to the advances totalling RMB2,000,000.00 (equivalent to RM1,220,000) made by SWIL to SCC on 19 August 2016 and 28 October 2016 in order to meet the working capital requirements for commencing work on the Malaysian Tourism Project at the prevailing foreign exchange rate.

SCC shall within seven (7) days from the date of the SPA inform SWIL in writing of SCC’s preferred manner of payment as shown above.

3. INFORMATION ON THE PARTIES INVOLVED

3.1 SCSB

SCSB was incorporated on 31 March 2008 as a private limited company under the Companies Act, 1965. The present issued and paid-up share capital of SCSB is RM2,935,000.00 divided into 2,935,000 shares of RM1.00 each. SCSB is engaged in building mobile identity infrastructure for the banking and mobile payments and in building social media platforms as lifestyle social influence communities.

The existing directors and shareholder of SCSB are as follows:-

Name of Directors

- i. See Che Chi
- ii. Teoh Hooi Fang
- iii. Lo Nyan Tjing

| <u>Name of Shareholders</u> | <u>Percentage of Shareholding</u> |
|-----------------------------|-----------------------------------|
| i. SignCharge Limited* | 13.10% |
| i. Trustgate Berhad | 35.80% |
| ii. SCC | 51.10% |
| TOTAL | 100.0% |

* Salcon had on 3 November 2016 announced that SWIL had entered into a Sale and Purchase Agreement with SignCharge Limited (“SCL”) to acquire the 13.1% equity interests in SCSB from SCL. SCSB is in the process of transferring the 13.1% equity interest from SCL to SWIL.

Upon completion of the Proposed Acquisition, SCSB becomes a 64.2% owned subsidiary of Salcon. The new equity structure of SCSB is as follows:-

| <u>Name of Shareholders</u> | <u>Percentage of Shareholding</u> |
|-----------------------------|-----------------------------------|
| i. SWIL | 64.20% |
| ii. Trustgate Berhad | 35.80% |
| TOTAL | 100.0% |

3.2 SCC

SCC, Malaysian, a director and major shareholder of Circlis Interactive Tourism Sdn Bhd (“CITSB”) (formerly known as Circlis Interactive Sdn Bhd), a 65%-owned subsidiary of SWIL and a director of Beijing Xinlian Yitong Technology Co. Ltd. (“BXYT”), a wholly-owned subsidiary of SWIL, which in turns is a wholly-owned subsidiary of the Company, is a related party in the Proposed Acquisition.

Save for the above, SCC does not have any shareholdings in the Company.

4. EFFECTS OF THE PROPOSED ACQUISITION

4.1 Share capital and substantial shareholders’ shareholding

The Proposed Acquisition does not have any effect on the share capital and substantial shareholders’ shareholdings of the Company.

4.2 Earnings per share, net assets per share and gearing

The Proposed Acquisition does not have any effect on the earning per share, net assets per share and gearing of Salcon and its subsidiaries (“Group”) for the financial year ended 31 December 2016 and financial year ending 31 December 2017.

5. PERCENTAGE RATIO

The highest percentage ratios applicable to the Proposed Acquisition pursuant to Paragraph 10.12 and Practice Note 14 (Principle of Aggregation for Transactions) of the Main LR computed based on Salcon's latest audited consolidated financial statements for the financial year ended 31 December 2015 are as follows:-

| No. | Transactions | Percentage Ratios |
|-----|--|-------------------|
| 1. | Proposed Acquisition | 0.10% |
| 2. | Proposed acquisition of 100% of the entire issued and registered capital of BXYT and 13.1% of the issued and paid-up share capital of SCSB from Signcharge Limited which was announced to Bursa Securities on 3 November 2016. | 0.90% |
| | TOTAL | 1.0% |

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

SCC is a director and major shareholder of CITSB as well as a Director of BXYT. Thus, he is a related party in the Proposed Acquisition. However, he is not normally regarded as a related party in the Proposed Acquisition pursuant to Paragraph 10.08(11)(o) of the Main LR.

Save as disclosed above, none of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the Proposed Acquisition.

7. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

8. DIRECTORS' STATEMENT

The Board of Directors of Salcon, after having considered the Proposed Acquisition, is of the opinion that the Proposed Acquisition is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

This announcement is dated 5 January 2017.