

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

PROPOSED ACQUISITION OF THE EQUITY INTERESTS IN THE FOLLOWING COMPANIES BY SALCON WATER INTERNATIONAL LIMITED (“SWIL”), A WHOLLY-OWNED SUBSIDIARY OF SALCON, FROM SIGNCHARGE LIMITED (“SCL”) (“PROPOSED ACQUISITION”):

- I. 100% OF THE ENTIRE ISSUED AND REGISTERED CAPITAL OF BEIJING XINLIAN YITONG TECHNOLOGY CO. LTD. (“BXYT”)
 - II. 13.1% OF THE ISSUED AND PAID UP SHARE CAPITAL OF SIGNCHARGE SDN BHD (“SCSB”)
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1. INTRODUCTION

Pursuant to Paragraph 10.05 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”), the Board of Directors of Salcon, wishes to announce that on 3 November 2016, SWIL had entered into a Sale and Purchase Agreement with SCL (“SPA”) for the acquisition of the equity interests in the following companies from SCL for a total cash consideration of HKD9,600,000.00 [equivalent to approximately RM5,204,074*] (“Purchase Consideration”):

Name of Company to be acquired	Share Capital	% of Shareholding
BXYT	USD50,000 in nominal value of issued and registered capital	100
SCSB	385,000 ordinary shares of RM1.00 each	13.1

2 INFORMATION ON THE PARTIES INVOLVED

2.1 Information on SCL

SCL was incorporated in Hong Kong on 24 November 2010 as a private limited company under the Companies Ordinance. The present issued and paid-up share capital of SCL is HKD11,111,111.00 divided into 11,111,111 shares. The principal business activity of SCL is communication technology development and consultancy and also acting as an investment holding company.

See Che Chi (“SCC”) is the sole Director of SCL.

The existing shareholders of SCL are as follows:-

<u>Name of Shareholders</u>	<u>Percentage of Shareholding</u>
i. Bonafidea Limited (“BL”)	90%
ii. Dato’ Mohd Nizam Tun Abdul Razak (“Dato’ Nizam”)	10%
TOTAL	100%

2.2 Information on BL

BL was incorporated in Hong Kong on 9 March 2012 as a private limited company under the Companies Ordinance. The present issued and paid-up share capital of BL is HKD10,000 divided into 10,000 shares. The principal business activity of BL is holding company.

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

Name of Directors

- i. SCC
- ii. Wong Wai Wah

Name of Shareholders

Percentage of Shareholding

i. SCC	63%
ii. Wong Wai Wah	10%
iii. Bistaman Siru Bin Abdul Rahman	10%
iv. Soo Cheng San	10%
v. Choong Sze Yoong	4%
vi. Wong Wai For, Girio	1%
vii. Lo Nyan Tjing	1%
viii. Soo Shen Heh	1%
TOTAL	100%

2.3 Dato Nizam

Dato Nizam, Malaysian, has no family relationship between the Directors and/or major shareholders of the Company and any of its subsidiaries.

2.4 SCC

SCC, Malaysian, a director and major shareholder (11.90%) of Circlis Interactive Sdn Bhd ("CISB"), a 65%-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.

2.5 Information on BXYT and its subsidiary

(a) BXYT

BXYT was incorporated in People's Republic of China on 25 November 2011 as a private limited company. The present registered capital of BXYT is USD50,000.00.

BXYT is in the business of providing online tourism and marketing services in China and is the sole operator of the "Malaysian Tourism Pavilion" on the Alitrip tourism platform of Alibaba (China) Co. Ltd.

As to-date, BXYT has a 70% subsidiary named as Shanghai LinQi eCommerce Co. Ltd. ("SHLQ"). Save as disclosed above, BXYT does not have any other subsidiary or associated company.

SCC is the sole Director of BXYT.

BXYT is a wholly-owned subsidiary of SCL.

(b) Information on SHLQ

SHLQ was incorporated in Shanghai on 24 July 2014 as a private limited company. The present registered capital of SHLQ is RMB500,000 divided into 500,000 shares. The principal activity of SHLQ is travel e-commerce services.

SCC is the sole Director of SHLQ.

The existing shareholders of SHLQ are as follows:-

<u>Name of Shareholders</u>	<u>Percentage of Shareholding</u>
i. BXYT	70%
ii. Jin Jie	30%
TOTAL	100.0%

As to-date, SHLQ does not have any subsidiary or associated company.

Upon completion of the Proposed Acquisition, BXYT and SHLQ will become subsidiaries of Salcon.

2.6 Information on 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 a technology startup in the business of building mobile identity infrastructure for the banking and mobile payment industry.

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

Name of Directors

- i. Chew Chee Seng
- ii. Wong Tai Wan

<u>Name of Shareholders</u>	<u>Percentage of Shareholding</u>
i. SCL	13.10%
i. Trustgate Berhad	35.80%

ii. SCC		51.10%
	TOTAL	100.0%

Upon completion of the Proposed Acquisition, SCSB becomes a 13.1% owned investment of Salcon.

3. DETAILS OF PURCHASE CONSIDERATION

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the earning prospect of BXYT and SCSB, on e-commerce tourism business.

The Purchase Consideration will be funded via SWIL's internally generated funds.

4. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed within thirty (30) days from the date of the SPA or such other date as SWIL and SCL may mutually agree.

5. EFFECTS OF THE PROPOSED ACQUISITION

5.1 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.

5.2 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 Group for the financial year ending 31 December 2016.

6. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the Bursa Securities Main LR computed based on Salcon's latest audited consolidated financial statements for the financial year ended 31 December 2015 is 0.90%.

7. DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

SCC is a director and major shareholder of CISB and is also a major shareholder of SCSB. However, he is not normally regarded as a related party in the Proposed Acquisition pursuant to Paragraph 10.08(11)(o) of the Bursa Securities Main LR.

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

8. 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.

9. 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 3 November 2016.

Notes:

* Based on the exchange rate of HKD100=RM54.2091 on 31 October 2016 as set out in the Bank Negara's website, subject to rounding.