

ASSET ACQUISITION AGREEMENT BETWEEN WATER BUREAU OF YIZHENG CITY (“WBYC”) AND YIZHENG SALCON WASTEWATER TREATMENT COMPANY LIMITED (“YSWWT”)

ASSET CUSTODIAN AGREEMENT BETWEEN WBYC AND YSWWT

Pursuant to paragraph 10.05 of Bursa Malaysia Securities Berhad’s Main Market Listing Requirements, the Board of Directors of Salcon Berhad (**“Salcon” or “the Company”**) wishes to announce the following transactions:-

1.0 Particulars of the Transactions

1.1 On 6 May 2013, YSWWT, a wholly-owned subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited, a 66.67% owned subsidiary of Salcon Jiangsu (HK) Limited, which in turn is a wholly-owned subsidiary of Salcon, entered into an Asset Acquisition Agreement (**“AAA”**) with WBYC of No. 33, Zhen Zhou, West Road, Yizheng City, People’s Republic of China (**“PRC”**) to acquire the following assets from WBYC for phase 2 of the Yizheng City wastewater treatment plant project (**“Project”**):-

- (a) Structure buildings; and
- (b) Equipment and pipelines

(“Acquisition”)

YSWWT was granted a concession right by People’s Government of Yizheng City (**“PGYC”**) via the Supplementary Concession Agreement dated 1 December 2010 to acquire, build, operate and maintain phase 2 of the 50 MLD wastewater treatment plant in Zhen Zhou. Upon expiry of the concession period of 30 years commencing from the commercial production of the Project, YSWWT shall transfer the waste-water treatment plant back to PGYC without any consideration.

1.2 In addition, YSWWT had on 6 May 2013, entered into an Asset Custodian Agreement (**“ACA”**) with WBYC whereby WBYC assigns to YSWWT the non-operating support facilities of the Project including garden, greenery and artificial landscape, lamp post, and any other assets as listed in the ACA (**“Custody Assets”**). During the custody period, YSWWT will have exclusive right to the ownership, usage and management of the Custody Assets. At the same time, YSWWT will be responsible to the repair and maintenance of the Custody Assets and be liable to the cost incurred thereon. The custody period will be consistent with the concession right period of the Project, unless both parties mutually agreed to terminate the ACA.

1.3 Information on WBYC

WBYC is the Water Bureau of the People's Government of Jiangsu Province, PRC responsible for all matter related to water and wastewater services in Yizheng City.

1.4 Information on YSWWT

YSWWT is a company incorporated in PRC. The principal activities of YSWWT are provision of sewage treatment and related technology, equipment development, production and sales of the company's own products. The registered capital of YSWWT is RMB32,536,679.74. YSWWT is a wholly-owned subsidiary of Jiangsu Salcon Water & Environmental Development Company Limited, a 66.67% owned subsidiary of Salcon Jiangsu (HK) Limited, which in turn is a wholly-owned subsidiary of Salcon.

2.0 Details of Consideration

The total cash consideration for the Acquisition will amount to RMB30.75 million (equivalent to approximately RM15,249,194, which was converted based on the exchange rate as at 2 May 2013 of RM1 : RMB2.0165) ("**Consideration**").

The Consideration will be paid as follows:

- (i) RMB30.0 million will be paid to WBYC within 5 months from the date of Acquisition ("**First Payment**").
- (ii) subject to any deductions (if any) arising from the defects of assets to be acquired by YSWWT under the AAA, the balance of the Consideration amounting to RMB0.75 million will be payable to WBYC within 1 year from the First Payment.

3.0 Directors' and Major Shareholders' Interest

None of the Directors and Major Shareholders of Salcon and/or persons connected with them have any interest, direct or indirect, in the Acquisition.

This announcement is dated 7 May 2013.