

## SALCON BERHAD ("SALCON" OR THE "COMPANY")

- (I) CONCESSION SUSPENSION AGREEMENT BETWEEN JIANGSU SALCON WATER & ENVIRONMENTAL DEVELOPMENT COMPANY LIMITED ("JSWED"), A 66.67% OWNED SUBSIDIARY OF SALCON JIANGSU (HK) LIMITED, WHICH IN TURN IS A WHOLLY OWNED SUBSIDIARY OF SALCON, AND WATER BUREAU OF YIZHENG, JIANGSU PROVINCE, PEOPLE'S REPUBLIC OF CHINA ("WBYJP")
- (II) TERMINATION OF ASSET ACQUISITION AGREEMENT BETWEEN WATER BUREAU OF YIZHENG CITY ("WBYC"), YIZHENG CITY & RURAL WATER COMPANY LIMITED (YCRW) AND JSWED

### 1. INTRODUCTION

We refer to the following:

- i) announcement dated 14<sup>th</sup> December 2009 in respect of the Concession Agreement dated 12 December 2009 entered into between JSWED and WBYJP ("**Concession Agreement**") for the implementation of the water transfer project in the central region of the Yizheng City on Build-Operate-Transfer basis for a period of 30 years ("**Project**").
- ii) Asset Acquisition Agreement dated 1 December 2010 ("**AAA**") entered into between YCRW and JSWED for the acquisition by JSWED of the pipelines and its ancillary facilities as stipulated in the AAA ("**Assets**") from YCRW in connection with the Project.

Pursuant to Paragraph 9.03 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, the Board of Directors of Salcon wishes to announce that JSWED had on 6 May 2013 entered into the following agreements:-

- (i) Concession Suspension Agreement with WBYJP for the purpose of mutually suspending the Concession Agreement ("**Concession Suspension Agreement**"); and
- (ii) Asset Acquisition Termination Agreement with WBYC and YCRW for the purpose of mutually terminating the AAA ("**Asset Acquisition Termination Agreement**").

("Suspension and Termination")

## 2. SALIENT TERMS OF THE CONCESSION SUSPENSION AGREEMENT

The salient terms and conditions of the Concession Suspension Agreement are as follows:-

- (i) After 5 years from the date of Concession Suspension Agreement or on a date mutually agreed by JSWED and WBYJP (**“Suspension Period”**), evaluations will be conducted to assess the feasibility of continuing the Project under the Concession Agreement. In the event both JSWED and WBYJP fail to reach an agreement, the Concession Agreement will be terminated.
- (ii) Upon the execution of Concession Suspension Agreement, WBYJP agrees that JSWED and YCRW shall terminate the AAA and transfer the Assets and any other relevant documents to WBYJP. Simultaneously, the advances amounting RMB 30 million as stipulated under the AAA will be returned to JSWED by YCRW.
- (iii) During the Suspension Period, JSWED agrees that WBYJP shall transfer the concession rights under the Concession Agreement to Yizheng City Shui Da Water Supply Company Limited, a company controlled by WBYJP. WBYJP should terminate the concession rights granted to Yizheng City Shui Da Water Supply Company Limited should JSWED decide to continue with the Project later.

## 3. SALIENT TERMS OF THE ASSET ACQUISITION TERMINATION AGREEMENT

The salient terms and conditions of the Asset Acquisition Termination Agreement are as follows:-

- (i) Upon the execution of the Asset Acquisition Termination Agreement, both YCRW and JSWED will no longer be entitled to the rights under the AAA and both parties will not have any further obligations under the AAA.
- (ii) According to the Asset Acquisition Termination Agreement, WBYC and YCRW agree to return the advances of RMB 30.0 million (equivalent to RM14,877,000) (**“Advances”**) to JSWED.

- (iii) The repayment of the Advances shall be as follows:-
- a. Pursuant to the Assets Acquisition Agreement to be entered between WBYC and Yizheng Salcon Wastewater Treatment Company Limited (“**YSWWT**”), a wholly-owned subsidiary of JSWED, WBYC will receive RMB30.75 million (“**the Proceeds**”) from YSWWT for the sale of assets to YSWWT.
  - b. Within 5 days after the receipt of the Proceeds, WBYC will then pay RMB 30 million to YCRW.
  - c. Within 5 days upon receipt of RMB 30 million from WBYC, YCRW will thereafter return the Advances to JSWED.
  - d. YCRW and WBYC shall be jointly and severally be held liable to JSWED if the abovementioned repayment is not met.
- (iv) Upon the execution of the Asset Acquisition Termination Agreement, JSWED shall return all the relevant documents and materials to YCRW according to the conditions as per the AAA.

#### **4. COST OF INVESTMENT**

There was no cost of investment as the Project has not commenced yet.

#### **5. RATIONALE/REASONS FOR THE SUSPENSION AND TERMINATION**

The final estimated construction cost of the Project has substantially exceeded the original estimated cost and therefore not viable for JSWED to continue with the Project. The Suspension and Termination are mutually agreed by the parties involved.

#### **6. EFFECTS OF THE SUSPENSION AND TERMINATION**

##### **6.1 Share Capital and Substantial Shareholder’s shareholding**

The Suspension and Termination do not have any effect on the issued and paid-up share capital and substantial shareholding structure of Salcon.

## 6.2 Earnings per share

The Suspension and Termination will not have any significant effect on the earnings per share of Salcon Group for the financial year ending 31 December 2013.

## 6.3 Net Assets

The Suspension and Termination will not have any significant effect on the net assets per share of Salcon Group for the financial year ending 31 December 2013.

## 6.4 Gearing

The Suspension and Termination will not have any significant effect on the gearing based on the latest audited consolidated financial statements of the Company for the financial year ending 31 December 2013.

## **7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

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

## **8. DIRECTORS' STATEMENT**

After having taken into consideration all aspects of the Suspension and Termination, the Board is of the opinion that the Suspension and Termination are in the best interests of Salcon.

## **9. APPROVALS REQUIRED**

The Suspension and Termination are not subject to the approval of the shareholders of Salcon and/or any other relevant government authorities.

This announcement is dated 7 May 2013.