

ANNOUNCEMENT

(For immediate release)

SALCON BERHAD (“SALCON” or “COMPANY”)

- I. PROPOSED ACQUISITION OF LANDS IN DAERAH OF JOHOR BAHRU, JOHOR DARUL TA’ZIM BY NUSANTARA MEGAJUTA SDN BHD, A 50.01% SUBSIDIARY OF SALCON FROM TOTAL MERIT SDN BHD (“PROPOSED ACQUISITION”); AND**
 - II. PROPOSED DIVERSIFICATION OF THE PRINCIPAL ACTIVITIES OF SALCON AND ITS SUBSIDIARIES TO INCLUDE PROPERTY DEVELOPMENT (“PROPOSED DIVERSIFICATION”)**
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*We refer to the announcement made on 7 January 2013 in relation to the Proposed Acquisition and the Proposed Diversification (“**Announcement**”). Unless otherwise defined, the definitions set out in the Announcement shall apply herein.*

On behalf of the Board of Directors of Salcon (“**Board**”), AFFIN Investment Bank Berhad wishes to clarify the following in relation to the Announcement:

1. Details of the Proposed Acquisition (Section 2.1 of the Announcement)

The Development Agreement entered into on 15 August 2007 was between the Vendor, the Government of the State of Johor Darul Ta’zim (“**Johor State Government**”) and the State Secretary Johor (Incorporation).

The Vendor is in the midst of constructing the Consideration Premises (as defined in the Development Agreement, which comprises a complex to be located at Plot 7, Jalan Kebun Teh, Johor Bahru, Johor Darul Ta’zim and a workshop and residence at Taman Impian Emas, Skudai, Johor Darul Ta’zim) and intends to complete the Consideration Premises and deliver the same to the Johor State Government within twelve (12) months from the date of the SPA.

2. Salient terms of the SPA (Section 2.5 of the Announcement)

The term "Cut-Off Period" defined in item (iii) of Section 2.5 in the Announcement should read as "Cut-Off Date".

3. Financial effect of the Proposed Diversification on earnings and EPS (Section 5.2(c) of the Announcement)

The Proposed Diversification is expected to be completed within the first (1st) quarter of 2013 and is not expected to have any material effect on the earnings and the EPS of the Salcon Group for the FYE 31 December 2013 (save for the expenses related to obtaining the shareholders’ approval in relation to the Proposed Diversification) in view of the following:

- (i) The Proposed Acquisition is expected to be completed within the first (1st) quarter of 2014; and
- (ii) The construction of the proposed development of a 21 storey commercial building with one level of basement car park together with shop offices and small offices on the two (2) parcels of leasehold land in Mukim Batu, Daerah Gombak, Negeri Selangor and in Bandar Selayang, Daerah Gombak, Negeri Selangor is expected to commence in the second (2nd) half of 2013, after all the relevant regulatory approvals have been obtained.

4. Risk factors relating to the Proposed Diversification (Section 7.2(b) of the Announcement)

Threat of new entrants and lack of past track record and expertise

As the Salcon Group has minimal past track record or expertise in property development, the Group expects to employ approximately 17 personnel to oversee its new property development business. The Board will exercise its discretion when hiring personnel and will endeavour to recruit the appropriate personnel who have the relevant skill set, expertise and experience in managing the property development business.

The Group will leverage on the skills, expertise and past track record of Kembar Makmur, (a 49.9% shareholder of the Purchaser) who is led by Ong Aun Kung who has been in the property development industry for approximately 34 years and Lee Thiam Lai who has been in the property development industry for approximately 29 years, to assist the Group in managing the Proposed Development. Both Ong Aun Kung and Lee Thiam Lai are directors of Nusantara Megajuta Sdn Bhd.

This announcement is dated 9 January 2013.