

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

- **PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF SALCON (EXCLUDING TREASURY SHARES)**
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### 1. INTRODUCTION

On behalf of the Board of Directors of Salcon (“**Board**”), Affin Hwang Investment Bank Berhad (“**Affin Hwang IB**”) wishes to announce that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of the Company (excluding treasury shares) (“**Proposed Private Placement**”).

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) obtained from the shareholders of the Company at the Company’s 17<sup>th</sup> Annual General Meeting (“**AGM**”) held on 29 July 2020, where the Board has been authorised to issue and allot new ordinary shares in Salcon (“**Salcon Share(s)**” or “**Shares**”) not exceeding 20% of the total number of issued shares of Salcon (excluding treasury shares) (“**General Mandate**”). The General Mandate shall continue to be in force until the conclusion of the next AGM of the Company.

For shareholders’ information, Salcon had not issued any shares under any general mandate or undertaken any equity fund-raising exercise during the preceding 12 months from the date of this announcement.

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

### 2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

#### 2.1 Placement Size

As at 25 September 2020, being the latest practicable date prior to the date of this announcement (“**LPD**”), the Company has the following:

- (i) 847,113,655 Salcon Shares (including 20,136,630 treasury shares); and
- (ii) 336,566,643 warrants which were issued by the Company on 20 July 2018 and constituted by the deed poll dated 29 June 2018 (“**Deed Poll**”) (“**Warrants**”). The Warrants entitle the registered holders of Warrants to subscribe for new Salcon Shares at an exercise price of RM0.30 per Salcon Share at any time until 19 July 2025, subject to the provisions of the Deed Poll.

In addition, the Board is also authorised to repurchase up to 10% of the total number of issued shares of the Company pursuant to the Company’s share buy-back mandate which was renewed by the Company’s shareholders at the last AGM held on 29 July 2020. As at the LPD, the Company holds 20,136,630 treasury shares.

Based on the aforementioned outstanding securities of the Company, the minimum and maximum number of placement shares to be issued under the Proposed Private Placement (“**Placement Shares**”) are illustrated in the following table:

	<b>Minimum Scenario<sup>(1)</sup></b> <b>No. of Shares</b>	<b>Maximum Scenario<sup>(2)</sup></b> <b>No. of Shares</b>
Issued share capital as at the LPD	847,113,655	847,113,655
Less: treasury shares	(20,136,630)	-
Add: To be issued pursuant to the full exercise of all outstanding warrants	-	336,566,643
<b>Total</b>	<b>826,977,025</b>	<b>1,183,680,298</b>
<b>Placement Shares to be issued pursuant to the Proposed Private Placement<sup>(3)</sup></b>	<b>165,395,400</b>	<b>236,736,000</b>

Notes:

- (1) Assuming none of the treasury shares as at the LPD are resold in the open market and none of the outstanding warrants as at the LPD are exercised before the implementation of the Proposed Private Placement (“**Minimum Scenario**”).
- (2) Assuming all the treasury shares as at the LPD are resold in the open market and all of the outstanding warrants as at the LPD are exercised before the implementation of the Proposed Private Placement (“**Maximum Scenario**”).
- (3) Based on 20% of the total shares calculated and rounded down to the nearest board lot.

The Proposed Private Placement will entail the issuance of up to 236,736,000 Placement Shares, representing not more than 20% of the total number of issued shares of Salcon (excluding treasury shares).

The actual number of Placement Shares will depend on the total number of issued shares of Salcon (excluding treasury shares) immediately preceding the implementation of the Proposed Private Placement.

## 2.2 Placement Arrangement

The Placement Shares will be placed out to independent third party investor(s) (“**Placees**”) that will be identified by the Company. These Placees are persons or parties who/which will qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Placement Shares will not be placed to the following places:

- (i) a director, major shareholder or chief executive of Salcon (“**Interested Persons**”);
- (ii) a holding company of Salcon;
- (iii) a person connected with the Interested Persons; and
- (iv) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The final terms and conditions of the Proposed Private Placement, including the identity of the Placees, the number of Placement Shares allocated to each of the Placees as well as the issue price for the Placement Shares will be determined and finalised by the Board at a later date.

The Proposed Private Placement may be implemented in 1 or more tranche(s) within 6 months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities, or any extended period as may be approved by Bursa Securities. As such, the implementation of the Proposed Private Placement could potentially be in multiple tranches with several Price-Fixing Dates (as defined in paragraph 2.3 below). This will provide the Company with the flexibility to take into consideration prevailing market conditions and investors' interest at the point of implementation, in order to optimise the proceeds to be raised.

### 2.3 Basis and Justification for the Issue Price of the Placement Shares

The issue price of the Placement Shares for each tranche of the Proposed Private Placement will be determined and fixed by the Board and announced later by the Company after receiving the relevant approvals for the Proposed Private Placement ("**Price-Fixing Date**").

In accordance with Paragraph 6.04(a) of the Listing Requirements, the Placement Shares will be issued at a discount of not more than 10% to the volume weighted average market price ("**VWAP**") of Salcon Shares for the 5 market days immediately preceding the Price-Fixing Date.

For illustrative purposes throughout this announcement, the illustrative issue price of the Placement Shares is assumed to be issued at RM0.170 per Placement Share, which represents a discount of approximately 9.57% to the 5-day VWAP of Salcon Shares up to and including the LPD of RM0.188 per Salcon Share.

### 2.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing Salcon Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid by the Company where the entitlement date is before the date of allotment and issuance of the Placement Shares.

### 2.5 Listing and Quotation of the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

### 2.6 Utilisation of Proceeds

Based on the illustrative issue price of RM0.170 per Placement Share, the Company is expected to raise gross proceeds of approximately RM28.12 million and RM40.25 million under the Minimum Scenario and Maximum Scenario respectively. The gross proceeds are expected to be utilised in the following manner:

Details of Utilisation	Timeframe for Utilisation	Minimum Scenario		Maximum Scenario	
		RM'000	%	RM'000	%
Business expansion/ Future investments <sup>(1)</sup>	Within 2 years from the receipt of placement funds	18,126	64.47	26,009	64.63
Working capital <sup>(2)</sup>	Within 12 months from the receipt of placement funds	9,841	35.00	14,086	35.00
Estimated expenses in relation to the Proposed Private Placement <sup>(3)</sup>	Within 6 months from the receipt of placement funds	150	0.53	150	0.37
<b>Total</b>		<b>28,117</b>	<b>100.00</b>	<b>40,245</b>	<b>100.00</b>

Notes:

- (1) The Company and its subsidiaries (“Group”) are involved in various businesses, including amongst others, water and wastewater engineering, technology services, transportation and solar power services. Further details on the Group’s businesses and prospects are set out in Section 4.4 of this announcement.

The Group is keen to expand its existing businesses or venture into new business to strengthen and broaden its recurring income stream. In this respect, the Group is actively pursuing investment opportunities through joint ventures, collaborative arrangements, business agreements and/or mergers and acquisitions of business(es) or investment(s) that will meet its objective as stated above.

The Group has earmarked part of the proceeds to finance any suitable and viable potential business/investment in relation to its existing businesses. These may include, but is not limited to, participating in Build-Operate-Own (BOT) projects for its water and wastewater engineering business, or establishing joint ventures or undertaking mergers and/or acquisitions of other companies involved in water and wastewater engineering, technology services, transportation and solar power services. The Group intends to scale its existing business in order to strengthen its recurring revenue stream and profitability in the long term.

In addition, the Group had considered the disruptions due to the COVID-19 pandemic and the consequential impact on business/economy conditions. Hence, the Group intends to venture into new business opportunity(ies) to further diversify its business in order to broaden and strengthen its recurring revenue stream in the long term.

Nevertheless, the Group will undertake feasibility studies on the viability of such potential business/investment prior to its implementation. Hence, the proceeds raised may allow the Group to capitalise on suitable and viable investment opportunities as and when it arises. Further, with the proceeds raised from the Proposed Private Placement, the Group does not have to rely solely on internally generated funds and/or bank borrowings. This will allow the Group to have more flexibility in respect of financial allocations for its operational requirements in the future.

As at the LPD, the Group is in the process of identifying suitable business(es)/ investment(s) for strategic acquisition(s)/collaboration(s) in order to diversify its income base and generate long term revenue stream. The Group is continuously seeking to identify such opportunities, and will make the necessary announcements in accordance with the Listing Requirements should such an opportunity arise. In addition, the Company will seek the necessary approval from its shareholders if required pursuant to the Listing Requirements.

In the event the Group is unable to identify any suitable or viable investment(s) within the stipulated timeframe, these proceeds will be channelled towards the Group’s working capital requirement. Further details on the Group’s working capital requirement are set out in note (2) below.

- (2) The Group has earmarked part of the proceeds to finance part of the Group’s general working capital requirements for its existing projects as detailed below:

Projects	Estimated Working Capital Requirement	
	Minimum Scenario (RM '000)	Maximum Scenario (RM '000)
Kuala Terengganu Utara Water Supply Scheme	2,854	4,085
Telibong 2 Water Treatment Plant	3,530	5,053
Langat 2 Water Treatment Plant and water reticulation system	1,098	1,572
Others	2,359	3,376
<b>Total</b>	<b>9,841</b>	<b>14,086</b>

Such working capital may include purchase of materials, payment to contractors/sub-contractors/suppliers, staff related costs and other operating and administrative expenses. Nevertheless, the proceeds to be utilised for the aforementioned components of working capital are subject to the operating and funding requirements of the Group at such point in time and therefore may be subject to further change.

(3) *The estimated expenses consist of professional fees (including estimated placement fee), fee payable to relevant authorities as well as other miscellaneous expenses to be incurred. Any variation to the estimated expenses will be adjusted to or from the working capital requirements.*

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the final issue price and the actual number of Placement Shares to be issued. In the event the actual gross proceeds varies from the estimated gross proceeds as set out in the table above, such variance will be adjusted against the gross proceeds earmarked for business expansion/future investments and/or working capital.

Pending utilisation of the proceeds to be raised from the Proposed Private Placement, such proceeds will be placed in interest-bearing deposit account(s) with licensed financial institution(s) and/or short-term money market instrument(s). The interest derived from such deposit(s) and/or any gain arising from such short-term money market instrument(s) will be channeled to working capital.

### **3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT**

The Proposed Private Placement will enable the Company to provide and fund suitable and viable potential businesses/investment opportunities as well as provide additional working capital to the Group as disclosed in Section 2.6 of this announcement.

After due consideration was given to the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue for the Company to raise funds as the Proposed Private Placement:

- (i) allows the Company to raise the requisite funds without having to incur additional interest expense or service principal repayments as opposed to bank borrowings. This would enable the Company to preserve cash flow for reinvestment and/or operational purposes for further growth;
- (ii) enables the Company to raise funds expeditiously as opposed to other forms of fund raising such as a rights issue since the General Mandate has already been obtained; and
- (iii) strengthen the financial position and capital base of the Company and potentially enhance the liquidity of Salcon Shares by enlarging its shareholder base.

Further, the ongoing COVID-19 pandemic has brought upon uncertainty in the rate of economic recovery and economic outlook in the future. In this respect, the Board considers it to be prudent to raise funds through the Proposed Private Placement. This is to strengthen the Group's ability to finance any suitable and viable business(es)/investment(s) that will enable the Group to diversify its income base and generate long term revenue stream.

### **4. INDUSTRY OVERVIEW AND OUTLOOK AND PROSPECTS OF THE GROUP**

#### **4.1 Overview and outlook of the global economy**

Global growth is projected at -4.9% in 2020, 1.9% below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast.

Consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than anticipated disruption to domestic activity. The projections of weaker private consumption reflect a combination of a large adverse aggregate demand shock from social distancing and lockdowns, as well as a rise in precautionary savings. Moreover, investment is expected to be subdued as firms defer capital expenditures amid high uncertainty. Policy support partially offsets the deterioration in private domestic demand.

The synchronized nature of the downturn has amplified domestic disruptions around the globe. Trade contracted by close to -3.5% (year on year) in the first quarter of 2020, reflecting weak demand, the collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Global trade will suffer a deep contraction this year of -11.9%, reflecting considerably weaker demand for goods and services. Consistent with the gradual pickup in domestic demand next year, trade growth is expected to increase to 8%.

*(Source: World Economic Outlook Update June 2020, International Monetary Fund)*

## **4.2 Overview and outlook of the Malaysian economy**

The Malaysian economy contracted by 17.1% in the second quarter of 2020 (1Q 2020: 0.7%). The decline reflected the unprecedented impact of the stringent containment measures to control the COVID-19 pandemic globally and domestically. In Malaysia, the nationwide Movement Control Order (MCO) included various measures that restricted production and consumption activities. This resulted in demand and supply shocks that emanated not only from significantly weak external demand conditions, but also production constraints in many economic sectors. On the supply side, most economic sectors registered negative growth, while most expenditure components declined. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 16.5%.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued.

The Malaysian economy is expected to recover gradually as the economy progressively reopens and external demand improves. Growth is expected to have troughed in 2Q 2020 as economic activity has resumed significantly since the economy began to reopen in early May. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June than in the period between March and May.

*(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)*

## **4.3 Overview and outlook of the water industry**

The total market size (in revenue terms) of the Malaysian water industry was estimated at RM10.1 billion in 2017. It is estimated that the industry is growing at a compounded annual growth rate (“**CAGR**”) of between 2.5% and 6.6% with an average of 4.6% from 2017 to 2020. In 2020, the market size of the Malaysian water industry (in revenue terms) is estimated at RM11.6 billion, employing roughly 40,000 people.

65% of the industry’s revenue (or ~RM7.5 billion) is contributed by water utilities and sewerage services. Water equipment and chemicals is the next largest, contributing 17% of the industry’s revenue. This is followed by consulting services at 9% of the industry’s revenue.

The Ministry of Water, Land and Natural Resources has RM38.8 billion worth of planned projects going forward, cutting across irrigation and drainage, water supply, sewerage services, and non-revenue water, of which an estimated RM8.3 billion have been disbursed between 2016 and 2019 for development, and another RM2.5 billion have been earmarked for 2020.

*(Source: The Malaysian Water Industry Status & Outlook Report 2020/21, Malaysian Water Association)*

Growth in demand drivers from both residential and industrial sectors is likely to have had a positive impact on water treatment equipment industry. Rising population in Malaysia (at a CAGR of 1.4% over 2012–2018 to 31.5 million as per United Nations World Population Prospects Data) can be identified as a contributing factor for this growing trend. Furthermore, growth in industrial sectors which require high purity water for production processes most likely to have resulted in higher demand for water treatment equipment. In addition to clean water requirements, these industries are also driving demand for wastewater treatment as well.

*(Source: Water Treatment Equipment Industry Overview - Malaysia, SPEEDA)*

#### **4.4 Prospects of the Group**

The Group's core business is in water and wastewater engineering, focusing on the investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities across Asia. The Group is committed to enhancing long-term shareholders' value and to ensure sustainability of a steady income stream. As such, the Group has diversified into technology services, transportation, solar power services and other businesses.

##### **(i) Water & wastewater division**

In order to enhance efficiencies and to stay competitive, the Group has recently formed a joint venture with a new technology partner, Fujian Wide Plus Precision Instrument Co Ltd to market and deploy smart water systems with end to end monitoring platform solutions in Malaysia. The technology is expected to strengthen the efficiency of the pipe leakage detection, level monitoring, remote meter reading, water quality and pressure to meet the market demand and address the potential needs of our local water utilities in Malaysia.

##### **(ii) Technology division**

The Group via its technology division, Volksbahn Technologies Sdn Bhd ("VBT") has leveraged on its 108km fiber optic platform along the monorail and light rail transit ("LRT") systems by collaborating with mobile telecommunication companies to enhance fiber network for the fast deployment of 5G within the densely populated commercial areas of the Klang Valley. VBT continues to look for opportunities to participate in new developments along the LRT line. Further, VBT targets to become a carrier-neutral data center in order to secure buildings and property development for retail services as well as to facilitate the mobile convergence for operators through our fiber optic backbone.

##### **(iii) Transportation division**

The Group's transportation division, Eco-Coach & Tours (M) Sdn. Bhd ("ECT") has recently enhanced its fleet-tracking system by utilising the Sentrac device to achieve a higher tracking accuracy. The device is able to provide a real-time route tracking, monitoring safety based on the driver's behavior and operational control. This will ultimately reduce the operating costs, maximise time efficiency, optimise vehicle usage and reduce carbon footprint in future.

##### **(iv) Solar power services division**

The Group via its wholly-owned subsidiary had participated on a tender for the Large Scale Solar (LSS4) scheme called by the Ministry of Energy and Natural Resources, via the Energy Commission for the development of a solar power plant with an export capacity of 12 megawatts in September 2020. The result of the tender is expected to be announced in first quarter of 2021.

## 5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

### 5.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of Salcon are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM'000	No. of Shares	RM'000
Issued share capital as at the LPD	847,113,655	424,465	847,113,655	424,465
Add: To be issued pursuant to the full exercise of the outstanding Warrants	-	-	336,566,643	100,970 <sup>(4)</sup>
	847,113,655	424,465	1,183,680,298	525,435
Placement Shares to be issued pursuant to the Proposed Private Placement	165,395,400 <sup>(2)</sup>	28,117 <sup>(3)</sup>	236,736,000 <sup>(2)</sup>	40,245 <sup>(3)</sup>
<b>Enlarged issued share capital</b>	<b>1,012,509,055</b>	<b>452,582</b>	<b>1,420,416,298</b>	<b>565,680</b>
Less: Treasury shares, at cost <sup>(1)</sup>	(20,136,630)	(3,341)	-	-
<b>Total</b>	<b>992,372,425</b>	<b>449,241</b>	<b>1,420,416,298</b>	<b>565,680</b>

Notes:

- (1) Being the number of treasury shares held by the Company as at the LPD which are not intended to be resold in the open market under the Minimum Scenario, and had been included for illustration purposes only.
- (2) Details as set out in Section 2.1 of this announcement.
- (3) Calculated based on the illustrative issue price of RM0.170 per Placement Share.
- (4) Calculated based on the exercise price of RM0.30 per Warrant.

### 5.2 Consolidated net assets ("NA") per Share and gearing

Based on the latest audited consolidated financial statements of Salcon as at 31 December 2019, the proforma effects of the Proposed Private Placement on the consolidated NA per Share and gearing of Salcon are set out below:

#### (i) Minimum Scenario

	Audited consolidated as at 31 December 2019 RM'000	(I) Adjusted for subsequent events RM'000	After (I) and the Proposed Private Placement RM'000
Share capital	424,465	424,465	452,582 <sup>(1)</sup>
Less: Treasury shares, at cost	(4,400)	(3,341)	(3,341)
Translation reserve	7,017	7,017	7,017
Retained earnings	1,154	1,154	1,004 <sup>(2)</sup>
<b>Shareholders' funds / NA</b>	<b>428,236</b>	<b>429,295</b>	<b>457,262</b>
Non-controlling interests	20,989	20,989	20,989
<b>Total Equity</b>	<b>449,225</b>	<b>450,284</b>	<b>478,251</b>



	<b>Audited consolidated as at 31 December 2019 RM'000</b>	<b>(I) Adjusted for subsequent events RM'000</b>	<b>After (I) and the Proposed Private Placement RM'000</b>
No. of Shares in issue (excluding treasury shares)	828,553,608	826,977,025	992,372,425
NA per Share (RM)	0.52	0.52	0.46
Total borrowings (excluding lease liabilities)	24,102	24,102	24,102
Gearing ratio (times)	0.06	0.06	0.05

Notes:

- (1) Calculated based on the illustrative issue price of RM0.170 per Placement Share.  
(2) After deducting estimated expenses of RM150,000 in relation to the Proposed Private Placement.

**(ii) Maximum Scenario**

	<b>Audited consolidated as at 31 December 2019 RM'000</b>	<b>(I) Adjusted for subsequent events RM'000</b>	<b>(II) After (I) and assuming all the treasury shares are resold, and full exercise of all the outstanding Warrants RM'000</b>	<b>After (II) and the Proposed Private Placement RM'000</b>
Share capital	424,465	424,465	525,435 <sup>(1)</sup>	565,680 <sup>(2)</sup>
Less: Treasury shares, at cost	(4,400)	(3,341)	-	-
Translation reserve	7,017	7,017	7,017	7,017
Retained earnings	1,154	1,154	1,154	1,004 <sup>(3)</sup>
<b>Shareholders' funds/ NA</b>	<b>428,236</b>	<b>429,295</b>	<b>533,606</b>	<b>573,701</b>
Non-controlling interests	20,989	20,989	20,989	20,989
<b>Total Equity</b>	<b>449,225</b>	<b>450,284</b>	<b>554,595</b>	<b>594,690</b>

	<b>Audited consolidated as at 31 December 2019 RM'000</b>	<b>(I) Adjusted for subsequent events RM'000</b>	<b>(II) After (I) and assuming all the treasury shares are resold, and full exercise of all the outstanding Warrants RM'000</b>	<b>After (II) and the Proposed Private Placement RM'000</b>
No. of Shares in issue	828,553,608	826,977,025	1,183,680,298	1,420,416,298
NA per Share (RM)	0.52	0.52	0.45	0.40
Total borrowings (excluding lease liabilities)	24,102	24,102	24,102	24,102
Gearing ratio (times)	0.06	0.06	0.05	0.04

*Notes:*

- (1) *Calculated based on the exercise price of RM0.30 per Warrant.*
- (2) *Calculated based on the illustrative issue price of RM0.170 per Placement Share.*
- (3) *After deducting estimated expenses of RM150,000 in relation to the Proposed Private Placement.*

### 5.3 Substantial shareholders' shareholdings

The proforma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of Salcon are set out below:

#### Minimum Scenario

Substantial shareholder	Shareholdings as at the LPD				After the Proposed Private Placement*			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Naga Muhibah Sdn Bhd	94,194,587	11.39	-	-	94,194,587	9.49	-	-
Infra Tropika Sdn Bhd	63,716,976	7.70	-	-	63,716,976	6.42	-	-
Tan Sri Dato' Tee Tiam Lee	54,512,601	6.59	63,716,976 <sup>(1)</sup>	7.70	54,512,601	5.49	63,716,976 <sup>(1)</sup>	6.42
Datin Goh Phaik Lynn	-	-	94,194,587 <sup>(2)</sup>	11.39	-	-	94,194,587 <sup>(2)</sup>	9.49
	-	-	423,598 <sup>(3)</sup>	0.05	-	-	423,598 <sup>(3)</sup>	0.04
	-	-	5,083,234 <sup>(4)</sup>	0.61	-	-	5,083,234 <sup>(4)</sup>	0.51
Dato' Leong Kok Wah	5,083,234	0.61	423,598 <sup>(3)</sup>	0.05	5,083,234	0.51	423,598 <sup>(3)</sup>	0.04
	-	-	94,194,587 <sup>(5)</sup>	11.39	-	-	94,194,587 <sup>(5)</sup>	9.49
Tee Xun Hao	220,271	0.03	63,716,976 <sup>(1)</sup>	7.70	220,271	0.02	63,716,976 <sup>(1)</sup>	6.42

**Notes:**

\* Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).

(1) Deemed interested through his shareholdings in Infra Tropika Sdn Bhd pursuant to Section 8 of the Act.

(2) Deemed interested through her shareholdings in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested through the shareholdings of his/her children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Act.

(4) Deemed interested through the shareholdings of her spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Act.

(5) Deemed interested through the shareholdings of his spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Act.

## Maximum Scenario

Substantial shareholder	Shareholdings as at the LPD				(I) Assuming all the treasury shares are resold and all the outstanding warrants are exercised				After (I) and the Proposed Private Placement*			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Naga Muhibah Sdn Bhd	94,194,587	11.39	-	-	129,402,431	10.93	-	-	129,402,431	9.11	-	-
Infra Tropika Sdn Bhd	63,716,976	7.70	-	-	87,532,966	7.39	-	-	87,532,966	6.16	-	-
Tan Sri Dato' Tee Tiam Lee	54,512,601	6.59	63,716,976 <sup>(1)</sup>	7.70	74,888,201	6.33	87,532,966 <sup>(1)</sup>	7.39	74,888,201	5.27	87,532,966 <sup>(1)</sup>	6.16
Datin Goh Phaik Lynn	-	-	94,194,587 <sup>(2)</sup>	11.39	-	-	129,402,431 <sup>(2)</sup>	10.93	-	-	129,402,431 <sup>(2)</sup>	9.11
	-	-	423,598 <sup>(3)</sup>	0.05	-	-	581,930 <sup>(3)</sup>	0.05	-	-	581,930 <sup>(3)</sup>	0.04
	-	-	5,083,234 <sup>(4)</sup>	0.61	-	-	6,983,234 <sup>(4)</sup>	0.59	-	-	6,983,234 <sup>(4)</sup>	0.49
Dato' Leong Kok Wah	5,083,234	0.61	423,598 <sup>(3)</sup>	0.05	6,983,234	0.59	581,930 <sup>(3)</sup>	0.05	6,983,234	0.49	581,930 <sup>(3)</sup>	0.04
	-	-	94,194,587 <sup>(5)</sup>	11.39	-	-	129,402,431 <sup>(5)</sup>	10.93	-	-	129,402,431 <sup>(5)</sup>	9.11
Tee Xun Hao	220,271	0.03	63,716,976 <sup>(1)</sup>	7.70	302,604	0.03	87,532,966 <sup>(1)</sup>	7.39	302,604	0.02	87,532,966 <sup>(1)</sup>	6.16

### Notes:

\* Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).

(1) Deemed interested through his shareholdings in Infra Tropika Sdn Bhd pursuant to Section 8 of the Act.

(2) Deemed interested through her shareholdings in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested through the shareholdings of his/her children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Act.

(4) Deemed interested through the shareholdings of her spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Act.

(5) Deemed interested through the shareholdings of his spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Act.

#### **5.4 Earnings and Earnings per Share (“EPS”)**

The Proposed Private Placement is expected to be completed within the first quarter of 2021. Hence, the Proposed Private Placement is not expected to have any material effect on the consolidated earnings and EPS of the Group for the financial year ending 31 December 2020. However, the consolidated EPS of the Group in the future may be diluted as a result of the increase in the number of Salcon Shares arising from the issuance of the Placement Shares.

#### **5.5 Convertible Securities**

Save for the outstanding Warrants, which are exercisable into new Salcon Shares, the Company does not have any other convertible security in issue as at the LPD.

The Proposed Private Placement will not give rise to any adjustment to the exercise price of the outstanding Warrants and/or number of Warrants in accordance with the provisions of the Deed Poll.

### **6. APPROVALS REQUIRED**

The Proposed Private Placement is subject to the following approvals being obtained:

- (i) Bursa Securities, for the listing of and quotation for up to 236,736,000 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities, if required.

The Board intends to issue and allot the Placement Shares under the General Mandate. As such, the Proposed Private Placement does not require the approval of the shareholders of the Company.

The General Mandate shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

### **7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED**

None of the Directors, major shareholders and/or chief executive of Salcon and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

### **8. DIRECTORS’ STATEMENT**

The Board, having considered all aspects of the Proposed Private Placement, including but not limited to the rationale, utilisation of proceeds and effects, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

### **9. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to receipt of all required approvals, the Board expects the Proposed Private Placement to be completed within the first quarter of 2021.

## **10. APPLICATION TO THE RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the application to the relevant authorities for the Proposed Private Placement will be made within 1 month from the date of this announcement.

## **11. PRINCIPAL ADVISER AND PLACEMENT AGENT**

Affin Hwang IB has been appointed as the Principal Adviser and Placement Agent to Salcon for the Proposed Private Placement.

**This announcement is dated 28 September 2020.**