

SALCON BERHAD ("SALCON" OR "THE COMPANY") - SALE OF SMALL OFFICE HOME OFFICE ("SOHO") BY AZITIN VENTURE SDN BHD ("AVSB"), A SUBSIDIARY OF SALCON DEVELOPMENT SDN BHD, WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF SALCON, TO RELATED PARTIES

1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of SALCON wishes to inform that AVSB had on 30th December 2013 entered into separate sale and purchase agreements ("**SPA(s)**") with the following related parties, for the sale of SOHO to be erected on a master land held under H.S.(D) 78442 No. PT 11140, Bandar Selayang, Daerah Gombak, Negeri Selangor Darul Ehsan measuring approximately 3,988 square meters by AVSB within AVSB's property development project known as rés 280 located in Selayang, Selangor Darul Ehsan to the related parties ("**Transaction(s)**"):-

Related Parties	Relationship	Description of Property	Selling Price (RM)	Staff Rebate#	Early Bird Rebate*	Net Consideration (RM)
Png Theng Shuan and Tan Moo Yong	Png Theng Shuan and Tan Moo Yong are persons connected to Png Chiew Chuan, a Director of AVSB. Png Chiew Chuan is also a director and shareholder of Mepro Holdings Berhad (" MEPRO "), a substantial shareholder of AVSB. Png Theng Shuan is also a shareholder of MEPRO.	Parcel No. 18-18 Type B, measuring approximately 78.50 square meters together with one (1) car park	466,000.00	3%	7%	419,400.00
Png Theng Yoong	Png Theng Yoong is a person connected to Png Chiew Chuan, a Director of AVSB. Both Png Chiew Chuan and Png Theng Yoong are directors and shareholders of MEPRO, a substantial shareholder of AVSB.	Parcel No. 19-18 Type B, measuring approximately 78.50 square meters together with one (1) car park	469,000.00	3%	7%	422,100.00
Png Cheng Hwa	Png Cheng Hwa is a person connected to Png Chiew Chuan, a Director of AVSB. Png Chiew Chuan is also a director and shareholder of MEPRO, a substantial shareholder of AVSB.	Parcel No. 20-19 Type B, measuring approximately 78.50 square meters together with one (1) car park	472,000	3%	7%	424,800.00

Related Parties	Relationship	Description of Property	Selling Price (RM)	Staff Rebate	Early Bird Rebate*	Net Consideration (RM)
Png Tze Hua	Png Tze Hua is a person connected to Png Chiew Chuan, a Director of AVSB. Png Chiew Chuan is also a director and shareholder of MEPRO, a substantial shareholder of AVSB. Png Tze Hua is also a shareholder of MEPRO.	Parcel No. 20-20 Type C, measuring approximately 82.68 square meters together with one (1) car park	498,000	3%	7%	448,200.00
Ong Pui Yee and Ong Thai Guan	Ong Pui Yee is a person connected to Png Chiew Chuan, a Director of AVSB. Png Chiew Chuan is also a director and shareholder of MEPRO, a substantial shareholder of AVSB. Ong Thai Guan is the brother of Ong Pui Yee.	Parcel No. 19-19, Type B, measuring approximately 78.50 square meters together with one (1) car park	469,000	-	7%	436,170.00
Total			2,374,000			2,150,670

Staff Rebate applicable to directors and employees of SALCON and its subsidiary companies (**"SALCON Group"**)

* Early Bird Rebate applicable to early purchasers

Png Chiew Chuan, a director of AVSB and MEPRO as well as a substantial shareholder of MEPRO, is deemed interested in the Transactions between Png Theng Shuan & Tan Moo Yong, Png Theng Yoong, Png Cheng Hwa, Png Tze Hua and Ong Pui Yee & Ong Thai Guan (**"Related Parties"**) and AVSB by virtue of his family relationships with the Related Parties.

MEPRO, a substantial shareholder of AVSB, is deemed interested in the Transactions between Png Theng Shuan & Tan Moo Yong, Png Theng Yoong, Png Cheng Hwa, Png Tze Hua and Ong Pui Yee & Ong Thai Guan and AVSB by virtue of Png Chiew Chuan's direct and indirect interests in MEPRO pursuant to Section 6A of the Companies Act, 1965.

2. INFORMATION OF AVSB

AVSB is a private limited company incorporated in Malaysia on 7 December 1999 under the Companies Act, 1965 and having its registered address at 1st Floor, Wisma Mepro, 29 & 31 Jalan Ipoh, 51200 Kuala Lumpur, Wilayah Persekutuan.

The present authorised share capital of AVSB is RM1,000,000.00 divided into 1,000,000 ordinary shares of RM1.00 each of which 1,000,000 ordinary shares of RM1.00 each have

been issued and fully paid-up or credited as paid-up. The principal activity of AVSB is property development.

The directors and shareholders of AVSB are as follows:

No.	Directors		
1.	Png Chiew Chuan		
2.	Tan Ban Seng		
3.	Tan Sri Dato' Tee Tiam Lee		
4.	Dato' Leong Kok Wah		
5.	Law Woo Hock		
No.	Shareholders	No. of Shareholdings	% of Shareholdings
1.	Wong Yoon Kim	150,000	15.00
2.	MEPRO	349,999	34.99
3.	Salcon Development Sdn Bhd	500,001	50.01
	Total	1,000,000	100.00

3. DETAILS OF RÉ 280

rés 280 is an on-going development project consisting of twenty-one (21) storey commercial building comprising twelve (12) units of two (2) storey shop office with total net saleable area of approximately 40,600 sq ft and two hundred and eighty (280) units of SOHO with a net saleable area of approximately 244,460 sq ft with one (1) level of basement car park together with full recreational facilities and amenities.

The above development project is situated on one (1) parcel of leasehold commercial land with a lease tenure of 99 years (expiring on 13th November 2102) measuring approximately 3,988 square meters located at Bandar Selayang, Daerah Gombak, Negeri Selangor. The current stage of construction of rés 280 is approximately 3% and is expected to be completed by October 2016. The estimated gross development cost (inclusive of land cost and finance charges) is RM105.00 million. The expected profit to be derived from this development is RM35.0 million.

The source of fund to finance the development cost is internally generated funds of approximately RM80.3 million, shareholders' loan of approximately RM6.7 million and bank borrowings of approximately RM18.0 million.

AVSB has obtained the relevant approvals for the development from the following authorities:-

- (a) Development order from Majlis Perbandaran Selayang.
- (b) Building plans by Maljjs Perbandaran Selayang.
- (c) Developer's licence from the Housing Department, Ministry of Housing and Local Government.
- (d) Advertisement and sale permit from the Housing Department, Ministry of Housing and Local Government.

4. DETAILS OF THE TRANSACTIONS

4.1 Salient terms of the SPAs

The SPAs are based on the terms and conditions prescribed under the Housing Development (Control and Licensing) Act, 1966 ("**HDA Act**"), hence are not more favourable than those generally offered to other purchasers.

The sale consideration as stated in the respective SPA shall be paid by the purchaser in cash and satisfied in the following manner:-

- (i) 10% of the sale consideration shall be paid upon execution of the SPA; and
- (ii) The balance 90% of the sale consideration shall be paid by instalments and at the time and manner as prescribed under the HDA Act.

4.2 Basis of arriving at the consideration and Justification for the consideration

The respective net consideration of the properties was based on the selling price which was quoted to other prospective purchasers and after taking into account the staff rebate applicable to directors and employees of the SALCON Group and/or early bird rebate for early purchasers.

The staff rebate and/or early bird rebate to be given to the Related Parties shall be applied against the first payment (7%) and second payment (3%) due under the respective SPA.

No valuation was carried out for the Transactions as the subject parcels are still under construction.

The early bird rebate is on-going until further notice. The staff rebate applicable to directors and employees of the SALCON Group has been discontinued.

4.3 Liabilities to be assumed by the Related Parties

There are no liabilities to be assumed by the Related Parties arising from the Transactions.

4.4 Estimated time frame for completion

Barring unforeseen circumstances, the Transactions are expected to be completed by October 2016.

4.5 Expected gains or losses

As the Transactions are revenue in nature, AVSB is only expected to generate the profit upon delivery of the vacant possession of the properties to the Related Parties.

5. UTILISATION OF PROCEEDS

The proceeds from the Transactions will be utilised within the construction period of rés 280 to meet its working capital requirements.

6. RATIONALE FOR THE TRANSACTIONS

AVSB is involved in the property development. The sale of properties under its development is within its ordinary course of business.

7. EFFECTS OF THE TRANSACTIONS

7.1 Share Capital and Substantial Shareholders' shareholding

The Transactions will not have any effect on the share capital and substantial shareholders' shareholding of the Company.

7.2 Earnings, Net Assets ("NA") and Gearing

The Transactions will not have any material effect on the earnings per share, NA and gearing of SALCON Group.

8. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Transactions pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad computed based on SALCON's latest audited financial statements for the financial year ended 31st December 2012 are as follows:-

Related Parties	Highest Percentage Ratio (%)	
Png Theng Yoong	0.10	0.52
Png Theng Shuan & Tan Moo Yong	0.10	
Png Cheng Hwa	0.10	
Png Tze Hua	0.11	
Ong Pui Yee and Ong Thai Guan	0.11	

Save as disclosed above, there is no other transaction entered into between the Related Parties with SALCON Group during the 12 months preceding the date of this announcement.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save for Png Chiew Chuan and MEPRO, none of the directors, major shareholders of SALCON and its subsidiaries and/or persons connected to them has any interest, direct or indirect, in the Transactions.

10. AUDIT COMMITTEE'S OPINION

The Audit Committee, after having considered all aspects of the Transactions, is of the opinion that the Transactions are:-

- (i) In the best interest of SALCON Group;
- (ii) Fair, reasonable and on normal commercial terms; and
- (iii) Not detrimental to the interest of the minority shareholders of SALCON.

11. DIRECTORS' STATEMENT

The Board, after having considered the Transactions, is of the opinion that the Transactions are in the best interest of SALCON Group.

12. APPROVALS REQUIRED

The Transactions are not subject to the approval of the shareholders of the Company or any government authorities.

13. DOCUMENTS FOR INSPECTION

Copies of the SPA(s) relating to the Transactions are available for inspection at the registered office of the Company at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan during business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 30th December 2013.