

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

- (I) ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CIRCLIC INTERACTIVE TOURISM SDN BHD (FORMERLY KNOWN AS CIRCLIC INTERACTIVE SDN BHD) (COMPANY NO. 1115935-M) (“CIT”) BY ECO-COACH & TOURS (M) SDN BHD (COMPANY NO. 482780-T) (“ECT”), WHICH IN TURN IS A 51.3%-OWNED SUBSIDIARY OF SALCON CAPITAL SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SALCON**
 - (II) DISPOSAL OF 65% EQUITY INTEREST IN CIT BY SALCON XINLIAN GROUP LTD (FORMERLY KNOWN AS SALCON WATER INTERNATIONAL LTD) (“SXGL”), A 51%-OWNED SUBSIDIARY OF SALCON, TO ECT (“DISPOSAL”)**
 - (III) WAIVER OF DEBT OWING BY CIT TO SXGL**
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1. INTRODUCTION

Pursuant to Paragraph 10.08(1) of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”), the Board of Directors of Salcon (“Board”) wishes to announce that on 17 May 2019, ECT had entered into a Sale and Purchase Agreement (“SPA”) with the following:-

- (a) SXGL;
- (b) Mr See Che Chi (“SCC”);
- (c) Ms Teoh Hooi Fang (“THF”);
- (d) Mr Chuah Tse Leong (“CTL”);
- (e) Dato’ Ngiam Foon (“DNF”); and
- (f) CIT

(each “a Party” and collectively as “the Parties”)

for the acquisition of a total of 200,000 ordinary shares (“Sale Shares”), representing the entire equity interest in CIT by ECT from the following sellers, for a total cash consideration of RM5.00 only (“Purchase Consideration”):-

Sellers*	Number of ordinary shares in CIT	Purchase Consideration (RM)
SXGL	130,000	1.00
SCC	12,000	1.00
THF	12,000	1.00
CTL	12,000	1.00
DNF	34,000	1.00
TOTAL	200,000	5.00

*SXGL, SCC, THF, CTL and DNF are collectively referred to as “Sellers”.

(hereinafter referred to as “Transaction”)

Following the completion of the Transaction, the shareholding structure of CIT will be as follows:-

Shareholders	Before the Transaction		After the Transaction	
	No. of Shares	Percentage	No. of Shares	Percentage
SXGL	130,000	65%	-	-
THF	12,000	6%	-	-
SCC	12,000	6%	-	-
CTL	12,000	6%	-	-
DNF	34,000	17%	-	-
ECT	-	-	200,000	100%
TOTAL	200,000	100%	200,000	100%

CIT will cease to be a 65%-owned subsidiary of SXGL and becomes a wholly-owned subsidiary of ECT.

2. DETAILS OF THE TRANSACTION

2.1 Basis of arriving at and justification for the Purchase Consideration

The Purchase Consideration was arrived at after taking into consideration the negative shareholders fund of RM3.09 million based on management accounts of CIT as at 31 December 2018.

2.2 Salient terms of SPA

2.2.1 Payment of Purchase Consideration and Method of Payment

ECT shall pay the Purchase Consideration to the Sellers within the period of thirty (30) days from the date of the SPA (and which shall include any extension thereof as may be mutually agreed between the Parties in writing) ("Completion Period").

All payments to be made by ECT under the SPA will be made on the Completion Date (means such business day falling within the Completion Period) in the same day cleared funds in the manner specified by the Sellers to ECT free of any deduction, withholding, set-off or counterclaim.

2.2.2 Debt Forgiveness

In consideration of ECT's agreement to pay the Purchase Consideration in accordance to the terms and conditions of the SPA, SXGL releases and discharges CIT from any obligation to pay the monies amounting to RM1,645,831.00 as owed by CIT to SXGL at the date of the SPA ("Proposed Amount Waived").

2.2.3 Loan of THF

As at the date of the SPA, CIT acknowledge that the sum of RM180,211.00 is owed by CIT to THF as director of CIT prior to the Transaction (“THF’s Loan”). CIT agrees to repay the said amount to THF in the event CIT achieves a minimum of RM1,000,000.00 in the retained earnings (“Retained Earnings”) as per the audited accounts.

THF agrees and acknowledges that CIT makes no guarantee for the Retained Earnings to be of a guaranteed achievement by CIT and also as to the time period taken to achieve the Retained Earnings. THF undertakes to not require or demand any repayment of THF’s Loan from CIT until and unless CIT manage to achieve the Retained Earnings.

3. INFORMATION ON CIT

CIT was incorporated on 31 October 2014 as a Malaysian private limited company under the Companies Act, 1965. The present share capital of CIT is RM200,000.00 comprising 200,000 ordinary shares.

CIT is involved in developing social shopping mobile application and mobile communities globally emphasizing in South East Asia region, for communication of commercial and consumer contents.

The existing directors of CIT are as follows:-

Name of Directors

- i. Tan Sri Dato’ Tee Tiam Lee
- ii. Dato’ Leong Kok Wah
- iii. Mr Law Woo Hock
- iv. SCC
- v. THF
- vi. DNF

The following financial information of CIT was extracted from the management accounts of CIT as at 31 December 2018:-

	RM
Net Loss	(1,300,977)
Net Liability	(3,085,434)

4. INFORMATION ON SELLERS

SXGL was incorporated in Hong Kong on 20 April 2006 under the name of Salcon Water International Limited as a private limited company under the Companies Ordinance. The

present issued and paid-up share capital of SXGL is HKD19,600,000.00 divided into 19,600,000 ordinary shares. The principal business activity of SXGL is investment holding company.

SCC, THF and CTL are Malaysian, has the following directorships and shareholdings in Salcon Group (other than CIT as disclosed in Section 1 and Section 3 of this announcement) as at the date of this announcement:

Directorships	Shareholders	Shareholdings	Company Name	Remarks
SCC	SCC	39%	SXGL	51%-owned subsidiary of Salcon
SCC	SCC	11.9%	Circlis Sdn Bhd	65%-owned subsidiary of SXGL
THF	THF	11.55%		
CTL	CTL	11.55%		
SCC	N/A	N/A	Beijing Xinlian Yitong Technology Company Limited ("BXYT")	A wholly-owned subsidiary of SXGL
SCC	N/A	N/A	SignCharge Sdn Bhd	64.2%-owned subsidiary of SXGL
SCC	N/A	N/A	Wisdom Sports (M) Sdn Bhd	45%-owned associate company of CIT
SCC	N/A	N/A	Shanghai ShanMao E-Commerce Company Limited	51%-owned subsidiary of BXYT
SCC	SCC	39%	Salcon Xinlian Sdn Bhd	51%-owned subsidiary of Salcon

5. RATIONALE AND BENEFIT FOR THE TRANSACTION

The Transaction would complement and enhance the business of ECT by providing tracking solution for tour vehicles and implementation of fleet management, value added services in the vehicle fleet and logistic industries.

6. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Transaction is expected to be completed within 30 days from the date of the SPA.

7. SOURCE OF FUNDING

The Transaction will be funded through internally generated funds.

8. RISK FACTORS

Salcon does not foresee any exceptional risks on the Transaction.

9. ASSUMPTION OF LIABILITIES

There are no liabilities, including contingent liabilities and guarantees to be assumed by Salcon Group arising from the Transaction.

10. ORIGINAL COST OF INVESTMENT IN RESPECT OF THE DISPOSAL

The original cost and date of investment in CIT are as follows:-

Date of Investment	Cost of Investment (RM)
18/8/2016	4,643
3/1/2017	125,357

11. EXPECTED GAIN/LOSS ON THE DISPOSAL

There is no gain or loss to be recorded at Salcon Berhad Group accounts as the Disposal was within the Group.

12. EFFECTS OF THE TRANSACTION

12.1 Share capital and substantial shareholders' shareholding

The Transaction does not have any effect on the share capital and substantial shareholders' shareholdings of the Company.

12.2 Earnings per share, net assets per share and gearing

The Transaction will not have any effect on the earning per share, net assets per share and gearing of Salcon Group for the financial year ending 31 December 2019.

13. PERCENTAGE RATIO

The highest percentage ratios applicable pursuant to Paragraphs 10.02(g) of the Main LR computed based on Salcon's latest audited consolidated financial statements for the financial year ended 31 December 2018 are as follows:-

No.	Transactions	Highest Percentage Ratios (%)
1.	The Transaction which consist of the following:-	
	(a) The acquisition of 100% equity interest in CIT by ECT from the Sellers	0.06
	(b) The disposal of 65% equity interest in CIT by SXGL to ECT.	0.03
	(c) Proposed Amount Waived.	0.36
	TOTAL	0.45

14. DIRECTORS AND MAJOR SHAREHOLDERS' INTEREST

By virtue of the directorships and shareholding of SCC in Salcon Group as disclosed in Section 4 of this announcement, he is a related party in the Transaction.

Save as disclosed above, none of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the Transaction.

15. TRANSACTIONS WITH THE RELATED PARTY FOR THE PRECEDING 12 MONTHS

There were no other transactions entered into between Salcon Group and SCC and/or persons connected to him for the preceding 12 months.

16. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered the Transaction, is of the opinion that the Transaction is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

17. DIRECTORS' STATEMENT

The Board of Directors of Salcon, after having considered the Transaction, is of the opinion that the Transaction is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable, and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

18. APPROVALS REQUIRED

The Transaction is not subject to the approval of the shareholders of the Company or any government authorities.

19. DOCUMENTS FOR INSPECTION

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

This announcement is dated 17 May 2019.