

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

PROPOSED DISPOSAL BY SALCON DEVELOPMENT SDN BHD (“SDSB”), A WHOLLY-OWNED SUBSIDIARY OF SALCON, OF ITS ENTIRE 4,519,569 SHARES COMPRISING 20 ORDINARY SHARES AND 4,519,549 PREFERENCE SHARES, REPRESENTING 20% OF THE TOTAL ISSUED SHARE CAPITAL IN ECO WORLD-SALCON Y1 PTY LTD (“EWSY1”) TO FORTUNE QUEST GROUP LTD (“FORTUNE QUEST”), A WHOLLY-OWNED SUBSIDIARY OF ECO WORLD INTERNATIONAL BERHAD (“EWI”) FOR A TOTAL CASH CONSIDERATION OF AUD4,519,569

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 SDSB had on 11 April 2019 entered into a Share Sale and Purchase Agreement (“**SSA**”) with Fortune Quest for the disposal of its entire 4,519,569 shares comprising 20 ordinary shares and 4,519,549 preference shares, representing 20% of the total issued share capital (“**Sale Shares**” or “**Shares**”) in EWSY1 for a total cash consideration of AUD4,519,569 (equivalent to approximately RM13,252,280*) (“**Disposal Consideration**”) (“**Proposed Disposal**”).

(SDSB and Fortune Quest are individually referred to as a “**Party**” and collectively as “**Parties**”).

2. INFORMATION ON EWSY1

EWSY1 was incorporated in Australia on 27 June 2016 as a proprietary limited company under the Australia Corporations Act 2001 and having registered office at Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000, Australia. The present share capital of EWSY1 is AUD22,597,844 comprising 100 fully-paid ordinary shares and 22,597,744 fully-paid preference shares.

The principal activity of EWSY1 is property development.

The existing Directors, Shareholders and the shareholding structure of EWSY1 are as follows:-

No.	Directors				
1.	Dato’ Teow Leong Seng				
2.	Jeffrey Ong Wee Ting				
3.	Cheng Hsing Yao				
4.	Law Woo Hock				
No.	Shareholders	No. of Ordinary Shares held	%	No. of Preference Shares held	%
1.	Fortune Quest	80	80%	18,078,195	80%
2.	SDSB	20	20%	4,519,549	20%
	Total	100	100%	22,597,744	100%

Upon the completion of the Proposed Disposal, EWSY1 will cease to be an associate company of Salcon.

The latest audited financial information of EWSY1 is as follows:

Financial period ended 31 October 2018	AUD
Net Assets	16,689,709 (equivalent to approximately RM48,937,565*)

3. INFORMATION ON SDSB

SDSB was incorporated in Malaysia on 3 November 2006 under the Companies Act, 1965 as a private limited company. The issued share capital of SDSB is RM1,000,000 comprising 1,000,000 ordinary shares.

SDSB is a wholly-owned subsidiary of Salcon and its principal activity is investment holding and contracting for property development project. The existing directors are as follows:-

Name of Directors

Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Law Woo Hock
Jamiluddin Amini bin Sulaiman

4. INFORMATION ON FORTUNE QUEST

Fortune Quest was incorporated in the British Virgin Islands ("BVI") on 8 August 2013 under the BVI Business Companies Act, 2004 as a BVI business company limited by shares. Fortune Quest is authorized to issue up to 50,000 no par value shares of a single class and it has issued share capital of United States Dollar 1 comprising 1 fully paid ordinary share.

Fortune Quest is a wholly-owned subsidiary of EWI and its principal activity is investment holding. The existing directors are as follows:-

Name of Directors

Dato' Teow Leong Seng
Yap Foo Leong

5. DETAILS OF THE PROPOSED DISPOSAL

5.1 Basis of arriving at and justification for the Disposal Consideration

The Disposal Consideration was arrived at a willing-buyer willing-seller basis after taking into consideration the cost of investment of SDSB in EWSY1 as disclosed in Section 8 of this announcement and the net assets value of EWSY1 as at 31 October 2018.

5.2 Salient terms of SSA

5.2.1 Disposal Consideration and Method of Payment

The Disposal Consideration is AUD4,519,569 (equivalent to approximately RM13,252,280*).

SDSB and Fortune Quest acknowledge that the market value of the property located at 16-22 Claremont Street South Yarra, Victoria 3141, which is owned by EWSY1 as at the date of SSA ("**Property**") may fluctuate in the period between the date of SSA and the Completion Date (as defined below in Section 5.2.3 of this announcement) but the Disposal Consideration shall remain fixed unless varied in writing and signed by the Parties.

All payments to be made by Fortune Quest under the SSA will be made on the Completion Date (as defined below in Section 5.2.3 of this announcement) in the same day cleared funds in the manner specified by SDSB to Fortune Quest and free of any deduction, withholding, set-off or counterclaim.

5.2.2 Conditions Precedent

- (a) Completion of the Proposed Disposal is conditional on the satisfaction of EWSY1 notifying the respective financiers on the sale of the Shares from SDSB to Fortune Quest ("**Condition Precedent**").
- (b) SDSB and Fortune Quest must take all necessary actions and use reasonable endeavours to satisfy the Condition Precedent as soon as possible after the date of SSA; and, in any event, before 5.00 p.m. on the date that is 2 months from the date of the SSA or such other date as SDSB and Fortune Quest may mutually agree in writing ("**Cut-Off Date**"), including, to the extent within its control, procuring performance by a third party.
- (c) Each Party must, within 2 business days after becoming aware of the satisfaction of a Condition Precedent, notify the other Party of the satisfaction of the Condition Precedent and provide evidence that the Condition Precedent has been satisfied. Each Party must keep the other Party informed of any fact, matter or circumstance of which it becomes aware that may result in a Condition Precedent not being satisfied or not being satisfied by 5.00 p.m. on the Cut-Off Date.
- (d) The Condition Precedent cannot be waived by either Party.

If the Condition Precedent is not satisfied by 5.00 p.m. on the Cut-Off Date, SDSB or Fortune Quest may terminate the SSA by written notice to the other Party.

5.2.3 Completion

The completion of the Proposed Disposal ("**Completion**") must take place on a date within 14 days from the Unconditional Date or such longer period as the Parties may mutually agree in writing ("**Completion Period**"), as notified in writing by Fortune Quest to SDSB ("**Completion Notice**") which shall not be earlier than 5 business days from delivery of the Completion Notice by Fortune Quest ("**Completion Date**"). Unconditional Date means the date on the Condition Precedent is satisfied in accordance with the terms of the SSA and not, for the avoidance of doubt, the date on which such satisfaction is notified to the other party ("**Unconditional Date**").

In the event that Fortune Quest does not notify SDSB of the Completion Date, the Completion Date shall be the last business day of the Completion Period.

5.2.4 Termination

(a) SDSB's default

In the event of a material breach or an insolvency event by SDSB and without prejudice to any other rights or remedies which may be available to Fortune Quest under the SSA or at law or in equity, Fortune Quest shall be entitled to terminate the SSA by written notice, whereupon SDSB shall within 5 business days of such notice, refund to Fortune Quest all moneys, if any, paid by Fortune Quest under the SSA. Thereafter, the SSA shall be null and void and be of no further force or effect and neither party shall have any further claim or claims against the other save and except for any antecedent breach in relation to any rights accrued prior to such notice.

(b) Fortune Quest's default

In the event of a material breach or an insolvency event by Fortune Quest and without prejudice to any other rights or remedies which may be available to SDSB under the SSA or at law or in equity, SDSB shall be entitled to terminate the SSA by written notice, whereupon SDSB shall within 5 business days of such notice, refund to Fortune Quest all moneys, if any, paid by Fortune Quest under the SSA and SDSB shall be entitled to dispose of or deal with the Sale Shares at its absolute discretion. Thereafter, the SSA shall be null and void and be of no further force or effect and neither party shall have any further claim or claims against the other save and except for antecedent breach in relation to any rights accrued prior to such notice.

6. EXPECTED GAIN ON THE PROPOSED DISPOSAL

Upon completion of the Proposed Disposal, Salcon Group is expected to realise a net gain of approximately RM931,560.

7. PROPOSED UTILISATION OF PROCEEDS

The Disposal Consideration will be utilised for future investments and/or working capital purposes. As at to-date, the future Investments have yet to be identified may or may not be in similar or complementary industries to Salcon Group existing businesses.

The breakdown and timeframe for the utilisation of the Disposal Consideration cannot be determined at this juncture as it will depend on the operating/financing requirements of Salcon Group in the future. Pending the utilisation by Salcon Group, the Disposal Consideration will be placed in interest-bearing deposit accounts with financial institutions or short-term money market instrument(s) as the Board deem fit.

8. ORIGINAL COST AND DATE OF INVESTMENT

The original cost and date of investment in EWSY1 are set out below:

Date of investment	Number of shares	Cost of investment (AUD)
Ordinary Share		
27 June 2016	100	100.00
5 October 2017	(80)	(80.00)
Balance	20	20.00
Preference Share		
21 December 2017	4,519,549	4,519,549
	Total Cost	4,519,569

9. LIABILITIES TO BE ASSUMED BY EWI

Save for EWI's funding for the Disposal Consideration through bank borrowings, other debt instruments and/or internally-generated, EWI, its subsidiaries and joint ventures ("**EWI Group**") will not be assuming any liabilities (including contingent liabilities and guarantees) not already assumed by the EWI Group arising from the Proposed Disposal.

10. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal would allow the Group to strengthen its financial position arising from the Disposal Consideration and make available the capital which was earmarked for the property development project undertaken by EWSY1. Hence, Salcon will be able to re-mobilise its financial resources to pursue potential investment opportunities.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by 2nd quarter of 2019.

12. EFFECTS OF THE PROPOSED DISPOSAL

12.1 Share capital and substantial shareholders' shareholding

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

13. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSON CONNECTED TO THEM

Dato' Leong Kok Wah ("Dato' Leong") is the Executive Director and a major shareholder of Salcon by virtue of:

- (i) his direct shareholdings in Salcon;
- (ii) the shareholdings held by his children [Leong Yi Ping ("LYP") and Leong Yi Ming ("LYM")] in Salcon;
- (iii) the shareholdings held by his spouse, Datin Goh Phaik Lynn ("Datin Goh") in Salcon via Naga Muhibah Sdn Bhd ("Naga Muhibah"); and
- (iv) him being the son-in-law of Dato' Seri (Dr.) Goh Eng Toon ("Dato' Seri (Dr.) Goh"), a major shareholder of Salcon.
- (v) Dato' Seri (Dr.) Goh is a major shareholder of Salcon through his direct shareholdings in Salcon, and the shareholding held by himself and his child (Datin Goh) in Salcon via Naga Muhibah. He is also the father-in-law of Dato' Leong. Dato' Seri (Dr.) Goh was also the Chairman, Non-Independent Non-Executive Director of Salcon until his resignation from the Company on 31 December 2018.

Dato' Leong is also a major shareholder of EWI by virtue of his direct shareholdings in EWI and his indirect shareholdings in EWI held via Eco World Capital (International) Sdn Bhd, Eco World Development Group Berhad, Sinarmas Harta Sdn Bhd and Syabas Tropikal Sdn Bhd. Hence, Dato' Leong is deemed interested in the Proposed Disposal.

Datin Goh is a major shareholder of the Company by virtue of her shareholdings in Naga Muhibah, the shareholdings held by her spouse (Dato' Leong) and her children (LYP and LYM) in Salcon. She is also the spouse of Dato' Leong and daughter of Dato' Seri (Dr.) Goh.

Hence, Dato' Seri (Dr.) Goh, Datin Goh, LYM and LYP are deemed interested in the Proposed Disposal as persons connected to Dato' Leong, who is the interested party involved in the Proposed Disposal.

The direct and indirect interests of the interested Director and major shareholders of Salcon and person connected to them in Salcon are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of shares	Percentage of issued capital (%)	No. of shares	Percentage of issued capital (%)
Naga Muhibah Sdn. Bhd.	88,019,610	10.753	-	-
Dato' Seri (Dr.) Goh	3,034,721	0.371	88,019,610 ⁽¹⁾	10.753
Datin Goh	-	-	88,019,610 ⁽¹⁾⁽ⁱ⁾	10.753
	-	-	395,831 ⁽²⁾	0.048
	-	-	4,750,000 ⁽³⁾	0.580
Dato' Leong	4,750,000	0.580	395,831 ⁽²⁾	0.048
			88,019,610 ⁽⁴⁾	10.753

Notes:

- ⁽¹⁾ (i) Deemed interested through shareholding in Naga Muhibah pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested through shares held by child (Datin Goh) in Naga Muhibah pursuant to Section 8 of the Companies Act, 2016
- ⁽²⁾ Deemed interested through the shares held by children (LYP and LYM) pursuant to Section 8 of the Companies Act, 2016
- ⁽³⁾ Deemed interested through the shares held by spouse (Dato' Leong) pursuant to Section 8 of the Companies Act, 2016
- ⁽⁴⁾ Deemed interested through the shares held by spouse (Datin Goh) in Naga Muhibah pursuant to Section 8 of the Companies Act, 2016

Save as disclosed above, none of the Directors and/or major shareholders of Salcon and/or persons connected to the Directors and/or major shareholders of Salcon have any interest, direct or indirect, in the Proposed Disposal.

14. PERCENTAGE RATIO

The highest percentage ratios applicable pursuant to Paragraph 10.02(g) of the Main LR computed based on Salcon's latest audited consolidated financial statements for the financial year ended 31 December 2017 is 3.28%.

15. RELATED PARTY TRANSACTIONS FOR THE PRECEDING 12 MONTHS

There were no other transactions entered into between Salcon Group and Dato' Leong and/or persons connected to him for the 12 months preceding the date of this announcement.

16. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered the Proposed Disposal, is of the view that the Proposed Disposal 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 (save for the interested director i.e. Dato' Leong who has abstained from deliberating on the Proposed Disposal), after having considered the Proposed Disposal, is of the view that the Proposed Disposal 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 Proposed Disposal is not subject to the approval of the shareholders of the Company or any government authorities.

19. DOCUMENTS FOR INSPECTION

The SSA 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 11 April 2019.

* Based on the exchange rate of AUD1.00 = RM2.9322 on 10 April 2019 as set out in Bank Negara Malaysia's website.