

SALCON BERHAD (“SALCON” OR “COMPANY”)

- PROPOSED SUBSCRIPTION OF SHARES IN DIGITAL MOMENTUM SDN. BHD.

Pursuant to Paragraph 10.05 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Salcon, wishes to announce the following transaction:-

1.0 PARTICULARS OF THE TRANSACTION AND DETAILS OF CONSIDERATION

1.1 Salcon Engineering Berhad (“SEB”), a wholly-owned subsidiary of the Company, has on 14 July 2020 entered into a Joint Venture Agreement (“JV Agreement”) with The One Smart City Development Limited (“TOSC”), Wide Plus Smart City Sdn Bhd (“WPSC”) and Digital Momentum Sdn. Bhd. (“DMSB”) for the purpose of forming a joint venture via DMSB to market and sell smart water systems with total monitoring platform solutions or its components in Malaysia (“Business”).

1.2 Information on SEB

SEB is a public limited company incorporated in Malaysia under the Companies Act, 1965. The present issued share capital of SEB is RM20,000,000 comprising 20,000,000 ordinary shares.

SEB is a wholly-owned subsidiary of Salcon and is a specialist in providing total solutions for raw water management, water treatment facilities design, construction, commissioning and operational management to the conservative management of waterworks downstream activities.

The directors of SEB are as follows:-

Directors

Ooi Cheng Swee @ Wee Kwee Swee
Jamiluddin Amini Bin Sulaiman
Law Woo Hock

1.3 Information on DMSB

DMSB was incorporated on 18 November 2019 as a private limited company in Malaysia under the Companies Act, 2016. The present issued share capital of DMSB is RM1.00 comprising 1 ordinary share. DMSB is a wholly-owned subsidiary of SEB.

DMSB is currently dormant and the intended principal activity is to market smart water meter system with end to end and internet of things (IOT) supported monitoring platform solution in the non-revenue water services.

The existing directors of DMSB are as follows:-

Directors

Ooi Cheng Swee @ Wee Kwee Swee
Law Woo Hock

1.4 Information on TOSC and WPSC

TOSC is a company incorporated under the laws of Hong Kong.

TOSC is associated with China High Precision Automation Group Limited, which is a leading enterprise in the automation instrument industry marketing in China.

TOSC has developed and/or gained the intellectual property rights to a water supply and non-revenue water management system and TOSC manufactures and sells, among others, water meters and other hardware supported by internet of things (IOT) solution which is capable of remote meter reading, water quality and level monitoring, leakage detection, data collection and synergised management of water supply systems for large volume and household users consisting of an integrated water supply drainage, water resources management platform which will provide efficient monitoring of water quality, water supply conditions on real time basis, fast data analysis and statistics for decision making (collectively referred to as “**Smart Water System**”). The Smart Water System and its components has been patented and registered under TOSC or its subsidiaries (“**SW Intellectual Property Rights**”).

WPSC was incorporated on 22 February 2019 as a private limited company in Malaysia under the Companies Act, 2016 and is a subsidiary of TOSC. WPSC is nominated by TOSC as shareholder to the joint venture.

- 1.5 Pursuant to the JV Agreement, DMSB will allot 59,999 Ordinary Shares (“**OS**”) to SEB and 40,000 OS to WPSC at an issue price of RM1.00 per OS and the shareholding structure of DMSB before and after the subscription of shares by SEB and WPSC (“**Subscription of Shares**”) will be as follows:-

Shareholders	Before Subscription of Shares		New shares to be allotted	After Subscription of Shares	
	No. of OS	Percentage (%)	No. of OS	No. of OS	Percentage (%)
SEB	1	100	59,999	60,000	60
WPSC	-	-	40,000	40,000	40
Total	1	100	99,999	100,000	100

Upon completion of the Subscription of Shares, DMSB will cease as a wholly-owned subsidiary of SEB and become a 60%-owned subsidiary company of SEB.

The Subscription of Shares involves a deemed disposal of 40% equity interest in DMSB by SEB to WPSC for a consideration sum of RM40,000 (“**Deemed Disposal**”).

- 1.6 In order for DMSB to carry out the Business in Malaysia, DMSB and TOSC have also on 14 July 2020 entered into a Technology Licence Agreement (“**TL Agreement**”) in which TOSC being a Licensor will grant to DMSB, the Licensee, the following, subject to the terms and conditions of the TL Agreement:-

- (i) License to use the Underlying Software (mean all software, systems and programmes for the Smart Water System including those for which the SW Intellectual Property Rights has been registered);
- (ii) Right to market and sell the Smart Water System in Malaysia; and
- (iii) License to use any and all other Intellectual Property Rights (including the SW Intellectual Property Rights), registered or unregistered, required to enable DMSB to fully exercise its rights and fulfil its obligation under TL Agreement.

2.0 DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the Subscription of Shares and the Deemed Disposal.

This announcement is dated 14 July 2020.