

DISPOSAL OF PROPERTY BY SALCON BUILDING SERVICES SDN BHD

1. INTRODUCTION

Salcon Berhad ("**Salcon**" or "**the Company**") is pleased to announce that Salcon Building Services Sdn Bhd ("**Vendor**") has on 25 June 2010 entered into a Sale and Purchase Agreement ("**SPA**") with The Store Corporation Berhad (Company No. 252670-P) ("**Purchaser**") in respect of the disposal of a piece of leasehold land held under issue document of title PN 49821, Lot 328, Seksyen 14 (formerly held under H.S.(D) 175343, PT 34) situated in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ("**Land**") measuring approximately 5,998 square metres in area together with a 4-storey building with basement and with an annexed single storey warehouse building and a guard house erected thereon (the Land together with the building erected thereon is collectively referred to as "**the Property**") for a total cash consideration of RM20 million ("**Consideration**") ("**Disposal**").

2. DETAILS OF THE DISPOSAL

2.1. Information on the Property

The Property is a piece of leasehold land held under issue document of title PN 49821, Lot 328, Seksyen 14 (formerly held under H.S.(D) 175343, PT 34) situated in Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor measuring approximately 5,998 square metres together with a 4-storey building with basement and with an annexed single storey warehouse building and a guard house erected thereon.

The Property is not subject to any encumbrances save for a charge registered in favour of OCBC Bank (Malaysia) Berhad on 15 November 2007 and a sublease for a period of 30 years commencing from 17 May 1989 and expiring on 16 May 2019 granted in favour of Tenaga Nasional Berhad ("**TNB**") (formerly known as Lembaga Letrik Negara Tanah Melayu) in respect of part of the Property. The Vendor shall use its best endeavours to obtain the approval or consent of TNB ("**TNB's Consent**") for the sale of the Property within 6 months from the date of the SPA.

The Property is subject to the following category of land use and express condition as endorsed on the issue document of title to the Property:-

"Category of Land Use:	Industry
Express condition:	Pembinaan bangunan-bangunan mengikut JPBD Negeri Selangor"

The building is presently vacant and its age is approximately 22 years. The lettable space of the building is approximately 9,376.50 square metres. The Land is a leasehold land of 99 years which will be expiring on 22 August 2070.

The net book value of the Property as at 31 December 2009 is RM13.53 million.

2.2 Basis of Determining the Consideration

The Consideration of RM20 million was arrived at on a "willing-buyer and willing-seller" basis after taking into consideration of the prevailing market value of the commercial property within the vicinity and the condition and location of the Property. No valuation on the Property has been carried out for the Disposal.

2.3 Salient Terms of the SPA

2.3.1 Agreement to Sell and to Purchase

The Vendor has agreed to sell and the Purchaser has agreed to purchase from the Vendor the Property free from all encumbrances and with vacant possession on an "as is where is basis" but subject to all conditions express or implied, restrictions in interest and category of land use contained in the issue document of title to the Property at the Consideration upon the terms and conditions contained in the SPA.

2.3.2 Conditions Precedent

- (a) The SPA is subject to and conditional upon the Vendor at its own cost and expense applying and obtaining the TNB's Consent within 6 months from the date of the SPA or such extension which shall be mutually agreed upon by the Vendor and the Purchaser. The date on which the Vendor obtains the TNB's Consent shall be the unconditional date ("**Unconditional Date**").
- (b) In the event that the TNB's Consent is not or cannot be obtained within the above stipulated period of time or such extension which shall be mutually agreed upon by both the Vendor and the Purchaser, the SPA shall be terminated by the Purchaser serving a written notice of termination to the Vendor and all sums paid/received under the SPA by the Vendor shall be refunded to the Purchaser without any interest within 7 days of the receipt of the said termination notice and thereafter the SPA shall be deemed as determined.

2.3.3 Terms of Payment and Completion Period

- (a) RM2 million (or 10% of the Consideration) was paid to the Solicitors upon signing of the SPA and will be released to the Vendor less the retention sum of RM400,000 pursuant to the Real Property Gains Tax Act, 1976, which was acknowledged by the Vendor as the deposit and as part payment towards the Consideration; and
- (b) the balance sum of RM18 million (or 90% of the Consideration) ("**Balance Purchase Price**") shall be paid or caused to be paid by the Purchaser to the Solicitors as stakeholders within a period of 3 months from the Unconditional Date ("**Completion Period**").

Provided That in the event that the Balance Purchase Price or any part thereof is not paid within the Completion Period, the Vendor shall automatically grant to the Purchaser an extension of 1 month ("**Extended Completion Period**") from the expiry of the Completion Period to pay the Balance Purchase Price or such part thereof remaining outstanding with interest ("**Interest**") at the rate of 8% per annum on the amount of the Balance Purchase Price or such part thereof remaining outstanding commencing from the first day of the Extended Completion Period until the date of full payment of the Balance Purchase Price.

The Interest shall be determined/calculated on the basis of the actual number of days elapsed and a 365-day year and shall accrue from day to day on simple interest. The date of full payment of the Balance Purchase Price and the Interest (if any) to the Solicitors as stakeholders shall be referred to as the "**Completion Date**".

2.3.4 Encumbrances

Save for the followings:-

- (a) a charge registered in favour of OCBC Bank (Malaysia) Berhad on 15 November 2007; and
- (b) a sublease granted in favour of TNB and registered on 19 December 1989,

the Property is otherwise free from encumbrances.

3. INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Malaysia having its registered office at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan.

The authorised share capital of the Vendor is RM5,000,000 comprising of 5,000,000 ordinary shares of RM1 each, of which 1,400,000 ordinary shares of RM1 each have been issued and fully paid-up.

The Vendor is a wholly-owned subsidiary of Bumi Tiga Enterprise Sdn Bhd, which is a wholly-owned subsidiary of Salcon Engineering Berhad ("SEB") and SEB in turn is a wholly-owned subsidiary of the Company.

4. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Malaysia having its registered office at Plaza 138, Suite 18.03, 18th Floor, 138, Jalan Ampang, 50450 Kuala Lumpur.

5. RATIONALE FOR THE DISPOSAL AND EXPECTED GAINS TO SALCON GROUP

The Property is not suitable to be used as an office, and the Disposal will realise a gain of RM6.47 million for Salcon Group.

6 ORIGINAL COST AND DATE OF INVESTMENT

The Property was acquired on 3 August 2007 and its original cost is RM13.50 million.

7. LIABILITIES TO BE ASSUMED BY THE PURCHASER

There are no liabilities including contingent liabilities and guarantee to be assumed by the Purchaser arising from the Disposal.

8. PROPOSED UTILISATION OF PROCEEDS FROM THE DISPOSAL

The proceeds from the Disposal of which 35% will be used for repayment of bank loan and the remaining 65% will be used as working capital of Salcon Group. The proceeds from the Disposal are expected to be fully utilised within 9 months.

9. FINANCIAL EFFECTS OF THE DISPOSAL

9.1 Share Capital and Substantial Shareholders

The Disposal does not have any effect on the issued and paid-up share capital and substantial shareholding structure of the Company.

9.2 Earnings per Share

The Disposal will not have any material effect on the earnings per share of Salcon Group for the financial year ending 31 December 2010.

9.3 Net Assets per Share

The Disposal will not have any significant impact on the net assets per share of Salcon Group for the financial year ending 31 December 2010.

9.4 Gearing

The Disposal of the Property would not have any material impact on the gearing of Salcon Group.

10. INTEREST OF DIRECTORS AND MAJOR SHAREHOLDINGS AND PERSONS CONNECTED WITH THEM

None of the Directors and/or Major Shareholders of the Company and/or persons connected with them, has any interest, whether direct or indirect, in the Disposal.

11. APPROVAL OF SHAREHOLDERS AND AUTHORITIES

The Disposal is not subject to approval of shareholders and any relevant government authorities in Malaysia.

12. STATEMENT BY DIRECTORS

The Directors of the Company, having taken into consideration the rationale and all relevant aspects of the Disposal, is of the opinion that the Disposal is in the best interest of the Company and its shareholders.

13. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Disposal is expected to be completed within 3 months from the Unconditional Date unless otherwise extended.

14. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Disposal based on the latest audited consolidated financial statements of the Company for the financial year ended 31 December 2009 pursuant to Chapter 10 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements is 6.50%.

15. DOCUMENT FOR INSPECTION

A copy of the SPA is 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 normal office hours from Mondays to Fridays (except public holidays) for a duration of 3 months from the date of this announcement.