SALCON BERHAD ("SALCON" OR THE "COMPANY")

I. PROPOSED DIVERSIFICATION INTO HEALTHCARE; AND

II. PROPOSED DIVERSIFICATION INTO ENERGY

(COLLECTIVELY, THE "PROPOSED DIVERSIFICATIONS")

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1. INTRODUCTION

On behalf of the Board of Directors of Salcon ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake the following:-

i. a proposed diversification of the existing principal activities of Salcon and its subsidiaries ("**Salcon Group**" or the "**Group**") to include the provision of healthcare, wellness and its related activities ("**Healthcare Business**") ("**Proposed Diversification into Healthcare**"); and

ii. a proposed diversification of the existing principal activities of Salcon Group to include the investment, development, construction and/ or operation of energy assets and related activities ("**Energy Business**") ("**Proposed Diversification into Energy**").

The Proposed Diversification into Healthcare and Proposed Diversification into Energy are collectively referred to as the "**Proposed Diversifications**".

Further details on the Proposed Diversifications are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED DIVERSIFICATIONS

At this juncture, Salcon Group is mainly involved in the following business segments:-

i. provision of end-to-end water and wastewater solutions from raw water management, design, construction, commissioning, concession, operation and maintenance of water and wastewater treatment facilities as well as the provision of mechanical and electrical engineering services for general industries ("**Engineering & Construction**");

ii. manufacturing and trading of rubber gloves ("**Glove Manufacturing**");

iii. Healthcare Business;

iv. provision of transportation services, solar power services and technology services ("**Trading and Services**");

v. investment and development of properties ("**Property Development**"); and

vi. production and supply of treated water ("**Concessions**").

The segmental revenue and results for the past 3 financial years up to the 12-month financial year ended ("**FYE**") 31 December 2024 is as follows:-

	<--------------------Audited	------------------->	<---Unaudited--->
	FYE 31 December 2022 RM'000	**FYE 31 December 2023 RM'000**	**FYE 31 December 2024 RM'000**
Segmental Revenue	**204,109**	**154,610**	**298,729**
Engineering & Construction	134,762	102,484	230,653
Glove Manufacturing	52,267	38,535	47,928
Healthcare Business	-	-	5,478
Trading and Services	17,080	13,591	14,670
Property Development	-	-	-
Concessions[*1]	-	-	-

	<---------------------Audited------------------->		<---Unaudited--->
	FYE 31 December 2022 RM'000	FYE 31 December 2023 RM'000	FYE 31 December 2024 RM'000
Segmental Results	**(51,640)**	**(38,397)**	**18,154**
Engineering & Construction	(2,436)	(9,657)	15,815
Glove Manufacturing	(50,708)	(34,545)	(785)
Healthcare Business	-	-	(899)
Trading and Services	3,668	6,364	6,259
Property Development	(2,433)	(2,353)	(2,236)
Concessions	269	1,794	-

Note:-

*1 *For information purposes, no revenue is recognised from the Concession business segment, as it is undertaken by a 40%-owned associate company of Salcon, namely Emas Utilities Corporation Sdn Bhd. The accounts have been consolidated using the equity method, which does not include the consolidation of revenue*

As shown in the table above, the Engineering & Construction segment has been the Group's largest revenue contributor in the recent financial years. The Group had incurred losses for 2 consecutive financial years up to the 12-month FYE 31 December 2023. The Group's loss-making position was mainly due to the impairment losses on intangible assets and property, plant and equipment amounting to RM24.50 million attributed by the Glove Manufacturing segment as well as impairment losses on investment in joint ventures and associate companies attributed by the Engineering & Construction segment amounting to RM7.54 million.

However, the Group achieved a turnaround during the 12-month FYE 31 December 2024, recording a profit after tax ("**PAT**") of RM16.46 million, mainly attributable to a higher revenue recorded driven by a higher completion rate of projects in the Engineering & Construction segment as well as the increased sales in the Glove Manufacturing segment. Further, the significant increase in PAT was mainly due to the impairment losses of RM24.50 million recognised in the preceding year, as well as an improvement in the construction project's gross profit margin in the latest quarter.

In cognisance of the Group's financial performance, the Group has also been actively identifying other business opportunities to expand its revenue stream to mitigate the loss-making position and to reduce dependence on its existing sources of revenue. As such, the Board intends to diversify the existing business operations of Salcon Group to include the following business activities:-

i. Healthcare Business

Bloom Healthcare Group Sdn Bhd (formerly known as Salcon Smile Sdn Bhd) ("**Bloom Healthcare**"), a 90%-owned subsidiary of Salcon, had begun to venture into the Healthcare Business in the second quarter of 2024 via the acquisition of 70% equity interest in SPH Dental Sdn Bhd ("**SPH Dental**"), for a purchase consideration of RM7,280,000, satisfied entirely via cash. Further details of the acquisition of Bloom Healthcare is set out in **Section 2.1** of this announcement. The management of Salcon has since stepped up its efforts to grow this business segment, resulting in this segment contributing approximately 1.83% to the revenue of the Group for the FYE 31 December 2024.

ii. Energy Business

Salcon Power (HK) Limited ("**Salcon Power**"), a wholly-owned subsidiary of Salcon, entered the Energy Business in 2011 by investing and completing the installation of solar photovoltaic ("**PV**") systems in the southern area of the United Kingdom ("**UK**"). From 2011 and up to the LPD, Salcon Group had undertaken various projects to expand this business segment such as the installation of solar PV systems on the rooftops for 1,600 residential houses in the UK. Further details of which are set out in **Section 2.2** of this announcement. The management of Salcon has since stepped up its efforts to grow this business segment, resulting in this segment contributing approximately 0.73% to the revenue of the Group for the FYE 31 December 2024.

In view of the above, the Board anticipates that, barring any unforeseen circumstances, the Healthcare Business and Energy Business are expected to result in either:-

i. the contribution of 25% or more of the net profits of the Group; or

ii. the diversion of 25% or more of the net assets ("**NA**") of the Group to an operation which differs widely from those operations previously carried on by the Group.

As such, the Board proposes to seek the approval from the shareholders of Salcon for the Proposed Diversifications pursuant to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") at an extraordinary general meeting ("**EGM**") to be convened.

Notwithstanding the Proposed Diversifications, the Board intends to continue with the existing business segments of the Group in the same manner and the Board will review the Group's business operations from time to time with the intention to further improve the Group's financial performance.

2.1 Proposed Diversification into Healthcare

As at 31 December 2024, the Group has expanded through the incorporation of new subsidiaries and acquisition of existing ones, bringing the total to 16 subsidiaries. For the avoidance of doubt, these additions were not considered material to the Group and did not have significant impact on the Group's consolidated financial position or results. These subsidiaries are involved in businesses related to provision of healthcare, wellness, and its related activities. Further, Salcon is open to opportunities in various scopes of healthcare, including but not limited to, general and specialised medical services, clinical services, cosmetic, aesthetic, wellness, dental, optometry, auditory and other related services. Subsequently, through its subsidiaries, the Group has acquired the following companies:-

i. SPH Dental

Bloom Healthcare, a 90%-owned subsidiary of Salcon, had on 27 April 2024, entered into a conditional share sale agreement with Dr. Harveen Kaur Boparoy A/P Jasbir Singh and Prakash A/L Sinnappu for the acquisition of 35,000 ordinary shares in SPH Dental, representing 70% equity interest in SPH Dental, for a purchase consideration of RM7,280,000, satisfied entirely in cash. Following the completion of the acquisition, SPH Dental became a 63%-owned indirect subsidiary of the Company.

Further, on the even date, Bloom Healthcare had entered into a put option agreement with Dr. Harveen Kaur Boparoy A/P Jasbir Singh and Prakash A/L Sinnappu (being the vendors of the acquisition), wherein Bloom Healthcare agreed to grant an option in favour of the vendors for the remaining 30% equity interest in SPH Dental. In conjunction thereto, Bloom Healthcare, had on even date entered into a shareholders' agreement with the vendors to regulate their rights and obligations as shareholders of SPH Dental and in respect of the management and business affairs of SPH Dental.

SPH Dental is principally involved in the provision of dental and dental related services. The acquisition provides Salcon Group an investment opportunity to expand and diversify its range of healthcare services and products offering by leveraging on the expertise, experience and network presence of SPH Dental in the provision of dental services, and in turn enables the Group to sustain further competitive advantage within the overall healthcare sector.

ii. Kee Vee Dental Laboratory Sdn Bhd ("**Kee Vee Dental**")

SPH Healthcare & Wellness Sdn Bhd ("**SPHHW**"), a 63%-owned indirect subsidiary of Salcon, had on 2 August 2024, entered into a conditional share sale agreement with Arete Group Sdn Bhd for the acquisition of 70 ordinary shares in Kee Vee Dental, representing 70% equity interest in Kee Vee Dental, for a purchase consideration of RM520,000, to be satisfied entirely in cash. Kee Vee Dental is principally involved in manufacturing medical and dental instrument and supplies.

Subsequently, upon completion of the acquisition on 5 December 2024, the shares were transferred to Bloom Healthcare Dental (Northern) Sdn Bhd, a 76.50%-owned indirect subsidiary of the Company. Following the transfer, Kee Vee Dental became a 53.55%-owned subsidiary of the Company.

iii. Sigma Dental Laboratory Sdn Bhd ("**Sigma Dental**")

SPHHW, a 63%-owned indirect subsidiary of Salcon, had on 2 August 2024, entered into a conditional share sale agreement with LYC Dental Group Sdn Bhd for the acquisition of 600 ordinary shares in Sigma Dental, representing 60% equity interest in Sigma Dental, for a purchase consideration of RM380,000, to be satisfied entirely in cash. Sigma Dental is principally involved in operating a dental laboratory business and its related services.

Subsequently, upon completion of the acquisition on 7 November 2024, the shares were transferred to Bloom Healthcare, a 90%-owned subsidiary of the Company. Following the transfer, Sigma Dental became a 54%-owned indirect subsidiary of the Company.

2.1.1 Key management personnel

The Group has identified the following personnel to oversee the Healthcare Business. Their profiles are set out below:-

i. Leong Yi Shen ("**Michael Leong"**)

Michael Leong, a Malaysian aged 34, is currently the Group’s Chief Operating Officer cum Chief Financial Officer and Director of Bloom Healthcare. He was appointed by Salcon to jointly spearhead the Group's overall Healthcare Business in February, 2025 and is jointly responsible to set the overall strategic direction of the healthcare division for the Group.

Michael Leong graduated from The University of Melbourne, with a Bachelor of Commerce (Accounting and Finance) in 2012. He began his career as an Associate in CIMB Investment Bank in 2012 under "The Complete Bankers" Program and then continued his career in CIMB Commercial Banking until 2017.

In April 2017, Michael Leong then joined Salcon Berhad rising to Vice President, Group Strategy & Strategic Investments, Finance. In this role, he manages the Group's investment portfolio. He also heads the Renewable Energy division within the Group.

He was appointed as the Acting Chief Financial Officer in August 2021 before being appointed permanently for the role on in January 2022, where he leads the Group's financial function. He was recently re-designated to the role of Group Chief Operating Officer cum Chief Financial Officer in March 2025.

He now jointly spearheads the Group's expansion into the Healthcare Business where his corporate and financial experience will be beneficial in leading the Group's new venture.

ii. Ahmad Rafique bin Mat Tahir ("**Rafique**")

Rafique, a Malaysian aged 35, is currently the Managing Director of Bloom Healthcare. He was appointed by Salcon to jointly spearhead the Group's overall Healthcare Business in February 2025 and is jointly responsible to set the overall strategic direction of the healthcare division for the Group.

Rafique graduated from the University of West of England, Bristol, with a Bachelor of Arts (Hons) in Accounting and Finance in 2011. He began his career as an associate in the Investment Banking division under CIMB Investment Bank in July 2011.

In July 2014, he left CIMB and subsequently joined TAEL Partners Limited ("**TAEL**") as an associate. During the tenure of his above appointments, he was involved in analysis on potential investee companies, formulating and structuring corporate finance transactions, conduct financial due diligence and generate investment ideas. Rafique left TAEL in November 2015 and joined RM Capital Partners & Associates Sdn Bhd ("**RM Capital**") as a Senior Investment Manager and was responsible in generating deals and leads for potential investment, structuring proposed investments and negotiating with the promoters and coordinating the due-diligence process with external parties such as financial, legal and technical advisers.

He left his role in RM Capital and joined LYC Healthcare Berhad ("**LYC"**) in September 2017 as the Group Chief Operating Officer. During his time in LYC, he was responsible to assist the Managing Director cum Group Chief Executive Officer of LYC to run the day-to-day operations for the healthcare group including the management of key healthcare personnel within the group and jointly developing LYC's strategic business direction. Similarly, Rafique was involved in generating deals and leads, structuring proposed investments, conducting due diligence process with external parties such as financial, legal and technical advisers. He left his role in LYC in January 2024 and joined Salcon as Chief Business Officer of Bloom Healthcare in February 2024. He was redesignated as Managing Director of Bloom Healthcare in November 2024.

Prior to joining Salcon, Rafique had accumulated over 7 years of work experience in the healthcare sector through his role in LYC. Rafique's past experience in healthcare provides him with the fundamental skillsets to comprehend and facilitate the implementation of the Healthcare Business moving forward, which falls within his responsibility and capacity as the key management personnel.

Moving forward, as and when required, the Group intends to expand its number of employees pursuant to the Proposed Diversification into Healthcare to ensure adequate staff resources are available to support the Healthcare Business.

2.2 Proposed Diversification into Energy

Salcon expanded its business portfolio in 2011 by venturing into the Energy Business, with a primary focus on investments, project development, and asset construction and facility management of energy projects. The renewable energy ("**RE**") division is spearheaded by Salcon Power (a wholly-owned subsidiary of Salcon), which focuses on investing in, developing and operating residential rooftop solar PV systems in the UK, while Inergist Sdn Bhd ("**Inergist**") (a 70%-owned subsidiary of Salcon), invests in, develops and operates large-scale solar projects and rooftop solar PV systems for commercial and industrial buildings in Malaysia. While the primary focus remains on RE sources, including but not limited to, solar, hydro and biomass, Salcon remains open to opportunities in conventional energy, such as gas and combined-cycle power generation, should viable prospects arise.

As mentioned in **Section 2** of this announcement, the Group's involvement in RE began with its green venture strategy whereby the Group completed the installation of solar PV systems in the UK, with the aim to bring clean and renewable energy to UK consumers while capitalising on the attractive feed-in-tariffs introduced by the UK government. During the FYE 31 December 2015, the Group expanded its presence in the RE sector, after successfully completing the installation of solar PV systems on 1,600 residential rooftops in the UK through its subsidiary, Salcon Power.

Subsequent to the above, the Company had undertaken various steps to grow this business segment and to establish its presence in the energy sector, as summarised below:-

i. In 2015, the Group had successfully installed solar PV systems on the rooftops of 1,600 homes in over 30 areas in the UK.

ii. In 2016, the Group had successfully completed the installation of solar PV systems on the rooftops for 1,600 residential houses in over 30 areas in the UK.

iii. In 2018, Salcon Power had disposed 1,191 units of solar PV electricity generating systems to ACP Solar Limited for a total cash consideration of £4.85 million (equivalent to RM26.1 million) to unlock the value of the investments in the PV systems.

iv. Further, the Group, via Salcon Power continues to operate the balance 409 units of solar PV systems with a capacity of 1,245.3 kilowatts or approximately 1.2 megawatt ("**MW**") in the UK.

v. In 2020, Satria Megajuta Sdn Bhd ("**Satria Megajuta**"), a 47%-owned indirect subsidiary of Salcon, had entered into 3 solar power purchase agreements with HeveaPac Sdn Bhd ("**HeveaPac**"), a wholly-owned subsidiary of HeveaBoard Berhad ("**HeveaBoard**"), one of the largest laminated particleboard shelving furniture producers in Asia. Under these agreements, Satria Megajuta would build, own and operate rooftop solar PV systems with a combined capacity of 1.48 megawatt peak ("**MWp**") on HeveaPac's premises.

vi. In 2021, the Group completed the installation of 1.48 MWp rooftop solar PV systems. Operations commenced in May 2021, with the systems expected to generate 1.80 million kilowatt-hours ("**kWh**") of solar energy annually. Besides reducing electricity costs for HeveaPac, the solar assets offset an average of 1,210 tonnes of carbon dioxide per year, totalling approximately 30,248 tonnes over the 25-year tenure.

vii. In 2023, Salcon Group expanded its RE footprint to include hydropower after the Group had secured a contract worth RM65 million for the construction of a 10.44 MW small hydro power plant at Sungai Selangor Dam.

In the same year, the consortium, comprising Salcon and KAB Smart Solar Energy Sdn Bhd, received a letter of notification from the Energy Commission of Malaysia, confirming that the consortium had met the criteria outlined in the Information Guide for the Corporate Green Power Programme ("**CGPP**"). As a result, the consortium was selected as a Solar Power Producer (SPP) to develop a 7 MW solar PV plant at Sungai Siput, Kuala Kangsar, Perak. To undertake the project, the project company, Mentari Kamuning Sdn Bhd ("**Mentari Kamuning**"), was incorporated. Mentari Kamuning, a 70%-owned indirect subsidiary of Salcon, signed a New Enhanced Dispatch Agreement (NEDA) Connection Agreement with Tenaga Nasional Bhd in 2025.

Besides the hydro and CGPP projects, Inergist entered into a solar power purchase agreement with HeveaBoard on 23 November 2023 for the development of a solar PV system with an installed capacity of 862.5 kilowatt peak ("**kWp**"). The system is installed on the rooftops of HeveaBoard's particleboard manufacturing premises in Gemas, Negeri Sembilan, under a built-own-operate arrangement for a duration of 25 years. For information purposes, the project is developed under the Net Energy Metering 3.0 scheme implemented by Sustainable Energy Development Authority (SEDA) Malaysia. It has achieved commercial operation in June 2024 and is expected to generate over 1.1 million kWh of solar energy annually.

With a combination of strategic partnerships, project acquisitions and long-term contracts, the Group's Energy Business is well-positioned for growth. The Group's strategy involves both organic and inorganic expansion, aiming to strengthen its RE footprint while remaining open to conventional energy investments if opportunities arise. The Proposed Diversification in Energy is expected to positively contribute to the Group's performance and long-term success. Through this diversification, the Group seeks to broaden its revenue streams, generate stable recurring income, and mitigate risks associated with its existing core businesses, to ensure sustainable value-creation for its shareholders.

2.2.1 Key management personnel

The Group has identified the following personnel to oversee the Energy Business. Their profiles are set out below:-

i. Michael Leong

In addition to being appointed to spearhead the Group's expansion into the Healthcare Business, Michael Leong will also be jointly spearheading the Group's expansion into the Energy Business.

Michael Leong is currently the Group's Chief Operating Officer cum Chief Financial Officer and Director of Inergist and Energy Valley Sdn Bhd (energy subsidiaries within the Group).

In 2019, he took on leadership of the Energy division, overseeing the continued operation of 409 solar PV systems in the UK, while spearheading key renewable energy projects, including:-

a. 3 solar asset concessions (1.48 MWp rooftop solar) with HeveaPac (2020);

b. A 7.0MW solar PV plant under Malaysia's CGPP (2023 – in development stage); and

c. A solar asset concession (865 kWp) with HeveaBoard (2023).

He continues to oversee the Energy division, leveraging on his corporate, financial and project development experience to drive the Group's expansion in the energy sector. Please refer to **Section 2.1.1** of this announcement for the profile of Michael Leong.

ii. Jamiluddin Amini Bin Sulaiman ("**Jamil**")

Jamil, a Malaysian aged 57, is currently the Chief Executive Officer of Salcon Engineering Berhad ("**Salcon Engineering**"). He was appointed by Salcon to jointly spearhead the Group's overall Energy Business in March, 2025 and is jointly responsible to set the overall strategic direction of the Energy Business for the Group.

Jamil graduated from Brown University, with a Bachelor of Science (Chemical Engineering) in 1990. He began his career in the United States as Environmental Analytical Chemist at Ceimic Corporation in July, 1990, followed by Project Engineer at Energy & Environmental Engineering Inc.

Upon returning to Malaysia, he joined Erinco Sdn Bhd, a local engineering consulting firm in 1994 and was assigned to carry out detailed engineering studies, preparation of design, tender documents/drawings and supervision of contracts for the rehabilitation of 14 water treatment plants in Johor. He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a team to implement a project under Sg. Selangor Water Supply Scheme Phase 2. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project, Director of Engineering & Proposal and Chief Operating Officer.

Jamil has been in his present position since March 2025. He currently oversees the overall management and operation of various divisions and departments of the company in water and wastewater sectors. He has accumulated over 34 years of experience in water treatment/water supply industry and environmental engineering, ranging from business operation and project management to engineering procurement, construction, commissioning, operation and maintenance.

Moving forward, as and when required, the Group intends to expand its number of employees pursuant to the Proposed Diversification into Energy to ensure adequate staff resources are available to support the Energy Business.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED DIVERSIFICATIONS

The Group's revenue is mainly derived from its core Engineering & Construction segment, while other segments such as Glove Manufacturing and Property Development have faced challenges and registered losses in recent financial years, as mentioned in **Section 2** of this announcement. The Group's diversification into the Healthcare Business and Energy Business has already begun to positively contribute to the overall financial performance of the Group during the recent financial years. The continued growth of the Healthcare Business and Energy Business aligns with broader macro trends, enabling the Group to expand its revenue stream to improve the financial performance of the Group, contribute to the future growth of the Group and enhance shareholders' value in the long run.

The Healthcare Business and Energy Business was established with the expectation of supporting the Group's performance in the coming years. The Proposed Diversifications align with the Board's ongoing efforts to expand its business segments and reduce the Group's dependence on its existing core businesses (i.e. Engineering & Construction and Glove Manufacturing). By diversifying the Healthcare Business and Energy Business, the Group is able to broaden its revenue base, which can support future growth and strengthen long-term value for shareholders.

As highlighted in **Section 2** of this announcement, the Healthcare Business was established in the second quarter of 2024, with the expectation that it would positively impact the Group's performance in the coming years. The Proposed Diversification into Healthcare offers an opportunity for the Group, with the Healthcare Business already generating revenue of RM5.48 million during the FYE 31 December 2024 and representing a growing income stream. The profitability of this segment could help offset costs incurred in the Property Development segment, thereby enhancing overall financial stability and reducing the Group's reliance on a particular segment.

Furthermore, the Group's diversification into Energy Business aligns with Malaysia's sustainability goals, including National Energy Transition Roadmap ("**NETR**"), Renewable Energy Transition Roadmap (RETR) 2035, and the Net Zero Carbon target by 2050. With strong regulatory support and growing demand for solar PV systems, the sector offers resilient long-term growth potential. Leveraging its expertise, the Group can capitalize on this opportunity to strengthen financial stability and support the nation's energy transition.

As part of the Group's efforts to improve its adaptability and expand its revenue stream, the Group's entryway into these businesses is supported by the acquisitions of businesses in the healthcare industry through its subsidiaries, as set out in **Section 2.1** of this announcement, and the involvement in projects in the RE sector as set out in **Section 2.2** of this announcement.

As the Proposed Diversifications involve the Group venturing into the Healthcare Business and Energy Business which differ from the existing principal activities of the Group, the Group is required to undertake the Proposed Diversifications pursuant to Paragraph 10.13 of the Listing Requirements.

Pursuant thereto, the Board opines that it is in the best interest of the Group to expand its income stream by diversifying into the Healthcare Business and Energy Business, in order to reduce its reliance on its existing business segments. In addition, by leveraging on the experience and expertise of Michael Leong, Rafique and Jamil as highlighted in **Sections 2.1.1 and 2.2.1** of this announcement and also recruiting additional management personnel with relevant experience to undertake various roles in the Healthcare Business and Energy Business, as and when required, the Board believes that the Group will have the capacity, capability and resources to diversify into these businesses.

Notwithstanding the Proposed Diversifications, the Board intends to continue with the Group's existing principal activities in the same manner and the Board will review the Group's business operations from time to time with the intention to further improve the Group's financial performance. Barring any unforeseen circumstances, the Board believes that the Proposed Diversifications will potentially contribute positively to the Group's future earnings potential moving forward.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

In the first half of 2024, Malaysia demonstrated economic resilience with a sterling growth rate of 5.1%. This was driven by robust domestic demand, a strong recovery in exports, and a thriving tourism sector. These achievements underscore our economic dynamism and strength, with a projected steady growth rate of 4.8% to 5.3% in 2024, reaffirming the nation's resilience and potential for sustained prosperity. Looking ahead, the economy is projected to grow within the range of 4.5% to 5.5% in 2025.

Full employment, coupled with job availabilities and opportunities, are reflective of improved labour market conditions, which instil a sense of hope and optimism in the economy. Furthermore, the Government's dedication in implementing policies that continue to support wage growth and ensure the economic pie is shared equitably among the rakyat, is testament to our commitment to a brighter future.

The services sector is projected to grow by 5.5% in 2025, bouyed by expansion in all subsectors. The growth will mainly emanate from continuous consumer spending as well as robust business- and tourism-related activities.

Domestic demand is expected to expand by 6.1% in 2025, buoyed by private sector expenditure, growing at 6.6%. With strong consumption and investment spendings, the private sector contribution to GDP growth will remain high at 5.1 percentage points. Meanwhile, public expenditure is expected to grow by 4.1% and contribute 0.7 percentage points to GDP growth.

Private consumption is expected to increase by 5.9% mainly attributed to the improvement in disposable income. This will be supported by sustained domestic economic activities and robust labour market conditions, as well as the implementation of the Public Service Remuneration System (SSPA). Other contributory factors include continued targeted cash assistance programmes, which will further support household spending in 2025.

Malaysia is committed to achieving net-zero greenhouse gas ("**GHG**") emissions by 2050, in line with global goals on climate change. The country also intends to reduce its economy-wide carbon emission intensity against GDP by 45% in 2030. Towards realising this commitment, the Ekonomi MADANI framework has set priorities to elevate and restructure the economy by implementing energy transition initiatives in new industries within green growth areas, including green mobility, RE and alternative sustainable fuels in the transportation sector. The framework is further strengthened with the formulation of national strategic plans such as the NETR, New Industrial Master Plan 2030 (NIMP 2030) and Hydrogen Economy and Technology Roadmap, paving the way for investment opportunities and the empowerment of human capital in green growth areas.

(Source: Economic Outlook, Belanjawan 2025 Malaysia MADANI)

4.2 Overview and outlook of the construction industry in Malaysia

The construction sector posted a significant growth of 14.6% in the first half of 2024, driven by expansion in all subsectors. The civil engineering subsector continues its stellar performance, benefitting from the acceleration of ongoing infrastructure projects including the East Coast Rail Link (ECRL), Rapid Transit system Link (RTS Link) between Johor Bahru and Singapore as well as Pan Borneo Highway Sabah. Moreover, residential buildings and non-residential buildings subsectors also contributed to the performance on the back of increasing demand for affordable houses as well as vibrant economic activities, respectively. Meanwhile, the Penang South Reclamation project and the installation of electrical and piping systems supported the specialised construction activities subsector.

The construction sector is expected to rise attributed to growth in all subsectors. The construction sector is forecast to register a growth of 9.4% in 2025, largely driven by the acceleration of strategic infrastructure projects. The sector is expected to benefit particularly from civil engineering activities such as LRT3 Phase 2 and Sarawak-Sabah Link Road Phase 2. Similarly, the non-residential buildings subsector is projected to expand further, supported by strong demand for industrial facilities from the realisation of approved investments, coupled with the development of new industrial areas such as the Kerian Integrated Green Industrial Park (KIGIP) and Johor-Singapore Special Economic Zone (JS-SEZ). Furthermore, the residential buildings subsector is anticipated to expand, driven by sustained demand for affordable housing as underlined by the Ekonomi MADANI framework, alongside new development projects by the private sector.

Labour productivity, measured by value-added per worker, improved by 2.6% to RM48,387 in the first half of 2024 attributed to productivity gains across all economic sectors, particularly in construction (13.5%) and mining and quarrying (4.1%). The productivity improvements in these two sectors were also supported by robust expansion in civil engineering; and specialised construction activities; as well as crude oil and natural gas; and mining support service activities.

(Source: Economic Outlook, Belanjawan 2025 Malaysia MADANI)

4.3 Overview and outlook of the healthcare industry in Malaysia

The Government is also steadfast in improving healthcare facilities and services whereby the healthcare sector was given high priority with an average share of 9.9% of total allocation over the last five years. While Malaysia's healthcare system is affordable and universally accessible, rising healthcare costs, emerging and re-emerging diseases, illnesses as well as sedentary lifestyles have posed a challenge in providing affordable and efficient public healthcare service. This highlights the need for comprehensive reforms to improve service quality and access, health insurance policy as well as public awareness towards healthy lifestyle.

For healthcare, the Government is committed to provide expeditious services to the rakyat, and will significantly enhance the delivery system to achieve universal access to quality services. This includes expanding mobile community services, upgrading equipment and facilities in hospitals and clinics, while ensuring adequate number of healthcare personnel to create a more conducive environment across all centres. At the same time, efforts will also be given to transform the healthcare system from focusing on treating illnesses to disease prevention. Budget 2025 will ensure the sustainability of public healthcare system through innovative financing in acquiring medical equipment, to address the issue of high cost in procuring and replacing equipment due to rapid advancement of technology.

Malaysia has become a global hub for medical tourists seeking high-quality healthcare services at competitive prices. In 2023, revenue generated from medical tourism in Malaysia reached RM2.25 billion, nearly a four-fold increase compared to 2021. The Government has been instrumental in promoting medical tourism through strategic policies aimed at easing visa restrictions, investing in healthcare infrastructure and actively promoting the country as a medical tourism hub.

(Source: Economic Outlook, Belanjawan 2025 Malaysia MADANI)

In just a year before the completion of the Malaysia Healthcare Travel Industry Blueprint 2021-2025, the aspiration to fulfil the "Best Malaysia Healthcare Travel Experience" by 2025 can be achieved following a growing number of health tourists making their way to Malaysia.

Malaysia Healthcare Travel Council ("**MHTC**"), an agency under the Ministry of Health (MOH), told Bernama that the country recorded 584,468 health tourist arrivals for the first half of 2024 ("**1H2024**").

The agency said, in comparison, Malaysia recorded more than one million health tourist arrivals in 2023, up by a significant 15% from 850,000 in 2022, firmly entrenching the country as a fast-growing medical destination.

The agency said the health tourism industry aims to generate RM2.4 billion in revenue for the whole of this year, and thus far, the sector has generated RM954.90 million in revenue for 1H2024.

MHTC said this is expected to contribute to an economic spillover to other industries to the tune of RM9.6 billion.

(Source: Malaysia sets sight on emerging as leading healthcare destination by 2025, Malaysian Investment Development Authority (MIDA))

4.4 Overview and outlook of the energy industry in Malaysia

Malaysia is expected to see sustained growth in its energy demand over the coming decades, as it continues to be one of the largest economies in Southeast Asia. The total primary energy supply increases more than three-fold over the period to 2050.

In the Planned Energy Scenario ("**PES**"), Malaysia's total final energy consumption is expected to increase 2.0% annually on average, from 2.1 exajoules ("**EJ**") in 2018 to 4.0 EJ by 2050. Consumption of electricity is expected to increase 2.3% annually on average by 2030, from 152 terawatt-hours ("**TWh**") in 2018 to 200 TWh, after which it will increase 2.1% annually to reach 300 TWh by 2050. However, fossil fuels will still comprise 68% of total final energy consumption, or 77% of total final consumption, by 2050 in the PES, where they will remain crucial for the transport and industry sectors, including for non-energy uses.

Because electricity demand could double or more from today's levels by 2050, how power generation capacity is expanded to meet this rising demand will be instrumental for national CO_2 emissions. Unless renewables deployment keeps pace with and exceeds demand growth, power sector emissions could remain at today's levels of 100 million tonnes per year out to 2050 despite significant renewables expansion.

In the two energy transition scenarios – characterised by increased energy efficiency, fuel switching to renewables and electrification of transport – average annual growth in energy demand will be slower, at 1.5% in the Transforming Energy Scenario ("**TES**") and 1.2% in the 1.5°C Scenario ("**1.5-S**").

In the 1.5-S – with renewables, aggressive energy efficiency measures and electrification across all sectors – the final energy consumption will grow at an annual average rate of 1.2% to reach 3.1 EJ, with a total reduction of 23% compared to the PES. A larger trend of electrification (29% share) is also present, as well as a higher biomass share (20%) used in the industry and transport sectors, in the form of biofuels. Hydrogen will also begin to play a nominal role in Malaysia, where it will comprise up to 5% (4.3 EJ) of the total final energy consumption by 2050 in the 1.5-S.

Solar PV will play a key role in the energy transition, with its total capacity reaching 83 gigawatts ("**GW**") in the TES and 153 GW in the 1.5-S by 2050; RE will contribute 89% or more of total electricity generation, up from 16% today.

Renewable direct-use is also important, with 20% of final energy consumption coming from these sources by 2050. The production of clean hydrogen and its derivative fuels must ramp up from negligible levels in 2020 to at least 1.5 million tonnes by 2050.

(Source: Malaysia Energy Transition Outlook, International Renewable Energy Agency (IRENA))

Malaysia is committed to sustainable, low-carbon development, with a clear vision for reshaping its economic landscape. In line with the Paris Agreement, the nation's latest Nationally Determined Contribution ("**NDC**") submission seeks to achieve an impressive 45 per cent unconditional reduction in emission intensity by 2030 compared to 2005 levels.

As part of this commitment, the country has established an ambitious RE target. MyRER is designed to craft a national strategic plan guiding Malaysia's RE policy development, aiming for a 31 per cent RE share in the national capacity mix by 2025 and 40 per cent by 2035. It supports the ongoing decarbonisation of Malaysia's electricity sector, working towards the 2035 milestone. The initiative anticipates a significant reduction in GHG emissions within the power sector, aligning with Malaysia's NDC 2030 target of a 45 per cent decrease in economy-wide carbon intensity compared to the 2005 level.

This scenario projected by MyRER is poised to create significant job and investment opportunities in the RE sector, with a cumulative investment of RM19.93 billion and 28,416 jobs projected by 2025, excluding employment related to the RE equipment manufacturing. Post-2025, the ongoing deployment of RE is expected to sustain socio-economic impacts through 2035, with an estimated cumulative investment of RM33.07 billion and 46,636 jobs in the RE sector.

With the government's strategic intent on energy transition, the dynamics of Malaysia's future power mix shall progress along this pathway:-

i. Renewables will constitute the majority share of installed capacity by 2050. However, the contribution of RE to the total generation mix will be comparatively lower than fossil fuels, particularly natural gas. This reflects the inherent low-capacity factor associated with solar, compared against the high-capacity factor of gas.

ii. The share of coal-fired power generation is expected to ramp down over time, driven by natural retirement timelines of existing coal-fired power plants. No new coal-fired power generation will be developed, leading to almost complete phase-out by 2045.

iii. Gas is expected to act as a lower-carbon transition fuel away from baseload coal, and will be the dominant source of fuel for baseload power.

iv. The ambition to achieve 70 per cent RE share of installed capacity by 2050 is expected to be achieved, predominantly driven by solar PV installation. Significant solar capacity growth is required in the next three decades, with 59 GW of installed capacity by 2050.

By 2050, approximately 200,000 jobs are anticipated to be generated within the power sector.

(Source: Advancing Just Energy Transition: Malaysia's Sustainable Energy Development Prospectus, Ministry of Natural Resources, Environment and Climate Change Malaysia)

4.5 Future prospects of the Group

Salcon Group is principally involved in water and wastewater engineering with a key focus on the design, financing, construction, operation and maintenance of water and wastewater treatment plants and ancillary facilities. Besides water and wastewater engineering, the Group is involved in other business areas such as glove manufacturing, property development, technology services, transportation and RE services, amongst others. The Group is committed to enhancing long-term shareholders' value and to ensure sustainable value-creation. As such, the Proposed Diversifications allow the Group to expand its revenue stream and spread risks and leveraging opportunities across various industries to reduce dependency on any single business segment.

In order to expand the Healthcare Business of the Group, the Group has incorporated several subsidiaries that are involved in businesses related to provision of healthcare, wellness, and its related activities. Subsequently, the Group has acquired several companies through its subsidiaries, as highlighted in **Section 2.1** of this announcement. The Group had also undertaken various initiatives to establish its presence in the RE industry, as highlighted in **Section 2.2** of this announcement. Its diversification into the Healthcare Business and Energy Business is expected to positively impact the Group's performance in the coming years.

The Board also intends to continue with the existing business segments. In the first quarter of 2025, the Group secured several contracts for its Engineering & Construction segment as follows:-

i. On 19 February 2025, Salcon Engineering (a wholly-owned subsidiary of Salcon) accepted the letter of acceptance from Pengurusan Aset Air Berhad for pipe replacement in Kota Bharu, Kelantan, with a contract value of approximately RM70.52 million for a period of 24 months;

ii. On 17 March 2025, Envitech Sdn Bhd (a 60%-owned subsidiary of Salcon Engineering) accepted 2 letters of award issued by the following parties:-

    a. Binastra Builders Sdn Bhd, for the redevelopment of a sewage treatment plant site at Taman Bukit Cheras, Kuala Lumpur, with a contract value of RM11.00 million for a period of 36 months; and

    b. Perbadanan Pembangunan Pulau Pinang, for the upgrading of sewers and related works at Batu Kawan Industrial Park, Penang, with a contract value of RM88.80 million for a period of 18 months; and

iii. On 20 March 2025, Salcon Engineering accepted a letter of acceptance from Pengurusan Aset Air Berhad for the construction of a new water treatment plant, raw water pipeline and related infrastructure in Melaka, with a contract value of approximately RM167.00 million for a period of 30 months.

These projects represent a key milestone for the Engineering & Construction segment, further strengthening its position in Malaysia's water infrastructure sector and are expected to contribute positively towards the earnings and NA of Salcon Group moving forward.

The Group remains optimistic about its growth prospects, supported by the recently announced Malaysia Budget 2025, which allocates RM3 billion for flood mitigation projects. This presents significant opportunities for its construction and infrastructure divisions, where the Group aims to leverage its expertise to secure new contracts. The Budget also allocated significant funding for regional development, particularly in water supply and energy infrastructure, areas in which the Group is well-positioned to participate and contribute. With the national allocation for flood mitigation and a target to reduce NRW to 31% by 2025, the Group anticipates continued demand for water infrastructure projects and is well-positioned to capitalise on emerging opportunities.

As the Group navigate the current business landscape, and increased focus on environmental, social, and governance standards, its commitment remains steadfast. Looking ahead, the Group remains confident in leveraging its expertise across core businesses and new ventures to drive sustainable growth and deliver long-term shareholder value.

(Source: Management of Salcon)

5. RISK FACTORS

The risk factors relevant to the Proposed Diversifications include, but are not limited to the following:-

5.1 Business diversification risk

The Proposed Diversifications would result in the diversification of the Group's existing businesses to include the Healthcare Business and Energy Business. Although the Group has established presence in both the healthcare and RE industry, its expansion into new areas within the industries introduces new challenges and risks, particularly as these ventures involve fields in which the Group has limited prior experience or exposure.

The Group seeks to mitigate the new business risks by, amongst others, engaging professionals with the relevant expertise to carry out contracts jointly. In addition, Salcon may also recruit internally other qualified personnel as well as engage professionals with relevant expertise and experiences to complement the existing management team when the need arises.

However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the new business ventures, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

5.2 Dependency on key personnel

The success of the Proposed Diversifications will depend to a significant extent upon the abilities, skills, experience, competency and continued efforts of the key management personnel. The loss of the key management personnel, detailed in **Sections 2.1.1 and 2.2.1** of this announcement, without suitable and timely replacement could materially affect the Group's business and consequently, the Group's revenue and profitability.

Recognising the importance to retain the key management personnel, the Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. Notwithstanding that, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed in the Healthcare Business and Energy Business.

5.3 Competition risk

The Group faces competition from existing competitors and/ or new entrants operating in similar business related to the Healthcare Business or the Energy Business. Nevertheless, the Group will take proactive measures to remain competitive in these businesses by, amongst others, constantly keeping abreast with the latest market conditions, and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality, product quality and reliability.

However, there can be no assurance that the Group will be able to compete effectively with existing and new entrants in similar business related to the Healthcare Business or the Energy Business in the future, which may materially affect the Group's financial performance.

5.4 Political, economic and regulatory risk

Any adverse developments in the political, economic, regulatory and social conditions in Malaysia as well as countries in which the Group operates, directly or indirectly, could materially and adversely affect the financials and prospects of the Group. These risks include, amongst others, risks of war, changes in political state, economic downturn and unfavourable changes in governmental policies such as methods of taxation, currency exchange rules or introduction of new regulations on the healthcare or RE industry, which are generally beyond the management's control and affects all the players in the industry.

In mitigating such risks, the Group will constantly monitor the key developments in the political, economic and regulatory conditions mentioned above and continue to review its business strategies and engage professional adviser, if required, in response to the changes in political, economic and regulatory conditions.

6. EFFECTS OF THE PROPOSED DIVERSIFICATIONS

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Diversifications will not have any effect on the issued share capital and the substantial shareholders' shareholdings in the Company as there is no issuance of new ordinary shares in Salcon.

6.2 NA and gearing level

Barring any unforeseen circumstances, the Proposed Diversifications are not expected to have any material effect on the NA and gearing level of the Group for the FYE 31 December 2025. However, the earnings to be derived from the Healthcare Business and Energy Business may have a positive impact on the future NA of Salcon Group.

6.3 Earnings and earnings per share ("EPS")

The Proposed Diversifications are not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 December 2025. Nevertheless, barring any unforeseen circumstances, the Proposed Diversifications are expected to contribute positively to the future earnings and EPS of Salcon Group.

7. APPROVALS REQUIRED

The Proposed Diversifications are subject to the following approvals being obtained:-

i. the shareholders of Salcon at an EGM to be convened; and

ii. any other relevant authority, if required.

The Proposed Diversifications are not inter-conditional upon each other. The Proposed Diversifications are not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of Salcon and/ or persons connected to them have any interest, whether direct or indirect, in the Proposed Diversifications.

9. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Diversifications, including but not limited to the rationale, prospect and risk factors of the Proposed Diversifications, is of the opinion that the Proposed Diversifications are in the best interest of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Diversifications are expected to be completed by the second quarter of 2025. For shareholders' information purpose, the Proposed Diversifications shall take immediate effect upon obtaining the approval of the shareholders of Salcon at the EGM.

11. ADVISER

UOBKH has been appointed as the Adviser for the Proposed Diversifications.

This announcement is dated 21 March 2025.