

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

PROPOSED ACQUISITION OF SPH DENTAL SDN BHD

1. INTRODUCTION

The Board of Directors of Salcon ("**Board**") wishes to announce that Salcon Smile Sdn Bhd (formerly known as JR Healthcare Sdn Bhd) ("**Salcon Smile**" or the "**Purchaser**"), an indirect 90%-owned subsidiary of Salcon, had on 27 April 2024, entered into the following:-

- (i) a conditional share sale agreement ("**SSA**") with Dr. Harveen Kaur Boparoy A/P Jasbir Singh and Prakash A/L Sinnappu (collectively, the "**Vendors**" or the "**Grantees**") for the proposed acquisition by Salcon Smile of 35,000 ordinary shares in SPH Dental Sdn Bhd ("**SPH Dental**") ("**SPH Dental Share(s)**"), representing 70% equity interest in SPH Dental, for a purchase consideration of RM7,280,000 to be satisfied entirely via cash ("**Purchase Consideration**"), subject to the terms and conditions contained in the SSA; and
- (ii) a put option agreement ("**Put Option Agreement**") with the Grantees wherein the Purchaser agrees to grant an option ("**Put Option**") in favour of the Grantees for the remaining 15,000 SPH Dental Shares, representing the remaining 30% equity interest in SPH Dental, subject to the terms and conditions contained in the Put Option Agreement.

(collectively, the "**Proposed Acquisition**").

In conjunction thereto, Salcon Smile, 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 ("**SHA**").

Further details of the Proposed Acquisition are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED ACQUISITION

Pursuant to the SSA, the Vendors have agreed to sell and the Purchaser has agreed to purchase 35,000 ordinary shares in SPH Dental ("**Sale Shares**"), representing 70% equity interest in SPH Dental, free from all encumbrances and with all rights, benefits and other entitlements attaching to the Sale Shares, for a purchase consideration of RM7,280,000 on the terms and conditions contained in the SSA. A summary of the salient terms of the SSA are set in **Appendix I** of this announcement.

Further, pursuant to the Put Option Agreement, in consideration of RM10.00 only paid by the Grantees to Salcon Smile, Salcon Smile hereby grants the Grantees the Put Option on the exercise of which the Grantees shall be entitled to sell all and not part of the Put Option Shares at any time within the Put Option Period (as defined in **Appendix II**) and Salcon Smile and/or its nominated party(ies) shall become bound to complete the sale of the Put Option shares held by the Grantees in SPH Dental as stipulated in the Put Option notice given by the Grantees to Salcon Smile on the transfer terms. A summary of the salient terms of the Put Option Agreement are set in **Appendix II** of this announcement.

Upon completion of the Proposed Acquisition, SPH Dental will become a 70%-owned subsidiary of Salcon Smile. Further, in the event of the exercise of the Put Option by the Grantees, SPH Dental will become a wholly-owned subsidiary of Salcon Smile.

2.1 Information on SPH Dental

SPH Dental was incorporated on 5 November 2019 in Malaysia as a private limited company. As at 26 April 2024, being the latest practicable date of this announcement ("**LPD**"), SPH Dental has a total issued share capital of RM50,000 comprising 50,000 SPH Dental Shares. As at the LPD, SPH Dental does not have any convertible securities. SPH Dental is principally involved in the provision of dental and dental related services.

As at the LPD, SPH Dental operates 4 dental clinics, located at the following addresses:

Clinic	Kheng 138	Kheng 132-G	Kheng 132-1	Kheng 31-1
Address	No. 138 (1 st Floor), Jalan Tun H.S. Lee, 50000 Wilayah Persekutuan Kuala Lumpur	No. 132 (Ground Floor), Jalan Tun H.S. Lee, 50000 Wilayah Persekutuan Kuala Lumpur	No. 132 (1 st Floor), Jalan Tun H.S. Lee, 50000 Wilayah Persekutuan Kuala Lumpur	31-1, Jalan 2/76C, Desa Pandan, 55100 Wilayah Persekutuan Kuala Lumpur

As at the LPD, the directors/ substantial shareholders and their respective shareholdings in SPH Dental are as follows:-

Name	Designation	Nationality	No. of shares	%
Vinosh A/L Sinnappu	Director	Malaysian	-	-
Harveen Kaur Boparoy A/P Jasbir Singh	Director/ substantial shareholder	Malaysian	25,000	50.00
Prakash A/L Sinnappu	Substantial shareholder	Malaysian	25,000	50.00

As at the LPD, SPH Dental does not have any subsidiary, associate or joint venture companies.

A summary of the key financial information of SPH Dental for the past 3 financial years up to financial year ended ("**FYE**") 31 December 2023 is set out below:-

	FYE 31 December		
	2021 RM'000	2022 (restated) RM'000	2023 RM'000
Revenue	4,762	4,138	4,354
Gross profit	2,620	2,396	2,438
Profit/ (loss) after taxation (" PAT "/" LAT ")	1,281	887	(483)
GP margin (%)	55.02	57.90	55.99
PAT margin (%)	26.90	21.43	N.A.
Total assets	3,083	3,870	7,916
Total liabilities	1,193	1,101	6,680
Net asset (" NA ")	1,890	2,768	1,236
Cash flow from operating activities	1,565	407	2,207
Cash and bank balances	2,570	1,532	424
Bank borrowings	263	565	4,494
Gearing ratio (times)	0.14	0.20	3.64

2.2 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM7,280,000 was arrived at, on a willing-buyer willing-seller basis, after taking into consideration the cumulative profit guarantee of normalised operating PAT amounting to RM2,600,000 provided by the Vendors to the Purchaser for the financial year ending 31 December 2025 and 31 December 2026 ("**Profit Guarantee**").

Based on the implied valuation of the 100% interest in SPH Dental, the Purchase Consideration represents a price-to-earning ("**P/E**") multiple of 8.00 times of the average normalised operating PAT of RM1,300,000 per financial year. The Board is of the opinion that the Profit Guarantee is realistic, after taking into consideration the following:-

- (i) the historical financial track record of SPH Dental as set out in **Section 2.1** of this announcement. The Board took cognisance that over the past 3 financial years up to the FYE 31 December 2023, SPH Dental has registered a steady revenue and profitability stream save for the LAT registered in FYE 31 December 2023 mainly due to acquisition and start-up cost incurred in relation to expansion of dental clinics from 1 outlet in 2022 to 4 outlets in 2023, and that SPH Dental has also been consistently generated positive cash flow from operating activities over the same financial track record period; and

- (ii) the rationale and benefits to be accrued to Salcon and its subsidiaries ("**Salcon Group**" or the "**Group**") through the Proposed Acquisition as set out in **Section 3** of this announcement.

Further, in justifying the reasonableness of the Purchase Consideration, reference was made to the P/E multiples (and EV/EBITDA as secondary cross-check) of the listed comparable companies which carry similar principal activities to that of SPH Dental. In respect of the comparable company analysis as set out in the table below, please take note that there is no one comparable company that may be identical to the business activities of SPH Dental in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria.

Table: The valuation statistics of the comparable companies using P/E and EV/EBITDA multiples

Company	Country of listing	Latest FYE	Principal activities	Market capitalisation as at the LTD	P/E times	EV/EBITDA times
Q&M Dental Group (Singapore) Limited (" Q&M ")	Singapore	31 December 2023	Q&M is a private dental healthcare provider with a network of dental clinics in Singapore. Q&M offers comprehensive range of primary care dental services, as well as specialist services	SGD217.68 million	18.90	6.40
Pacific Smiles Group Ltd (" PSGL ")	Australia	30 June 2023	PSGL principally operates dental centres at which independent dentists practice and provide clinical treatments and services to patients. PSGL owns and operates the Pacific Smiles Dental Care Centres and the nib Dental Care Centres which are located throughout Australian Capital Territory, New South Wales, Victoria and Queensland	AUD260.12 million	107.44 <i>(outlier)</i>	8.70
				High	107.44	8.70
				Low	18.90	6.40
				Average	63.17	7.55
SPH Dental <i>(included herein for comparison purpose)</i>					8.00	6.54

(Source: Bloomberg, latest available annual reports and/ or latest published interim full year results of the respective companies as at the LPD)

Based on the above table:-

- the forward P/E multiple of SPH Dental of 8.00 times is below the range of P/E multiples of the comparable companies (excluding outlier) of 18.90 times; and
- the forward EV/EBITDA multiple of SPH Dental of 6.54 times is between the range of EV/EBITDA multiples of the comparable companies ranging from 6.40 times to 8.70 times.

Premised on the above assessments, the Board deemed the Purchase Consideration for the Proposed Acquisition reasonable after taking into consideration the valuation statistics of the comparable companies, as well as taking into consideration the rationale and potential benefits which may be accrued to Salcon Group arising from the Proposed Acquisition.

2.3 Mode of settlement and source of funding

Pursuant to the terms of the SSA, the mode of settlement of the Purchase Consideration shall be in the following manner:-

Payment term/ timing	Consideration RM'000
(a) <u>Cash deposit (refundable)</u> Payable by the Purchaser to the Purchaser's solicitors as stakeholder for the Vendors within 30 days from the date the Documentation Stakeholder receives the Stakeholder Documents pursuant to Clause 2.2 of the SSA and the Vendors acknowledged the same shall form part payment towards the Purchase Consideration of the SSA. For avoidance of doubt, the deposit shall be refundable in the event the Condition Precedents are not satisfied	280
(b) <u>Escrow sum*</u> Payable by the Purchaser to the escrow agent which shall retain the sum in the escrow account and to deal with the escrow sum in accordance with the terms of the SSA and the escrow agreement	3,000
(c) <u>Remaining cash payment</u> Payable by the Purchaser within 30 days from the date of the Vendor fulfilling the last of the Conditions Precedent on the part to be performed by the Vendor (hereinafter referred to as " Completion Period "), in cash for the sum of RM4,000,000 only being the balance of the Purchase Consideration (" Balance Purchase Consideration ") payable to Vendors on the completion date by way of cheque or banker's cheque or electronic transfer or remittance	4,000
TOTAL	7,280

Note:-

* *The Purchaser, Vendors and escrow agent shall enter into the requisite escrow agreement wherein the Vendors agree to allocate or deposit the sum of RM3,000,000 only to be held by the escrow agent to be jointly appointed by the Vendors and the Purchaser as security to the Profit Guarantee.*

Salcon Smile intends to fund the cash consideration amounting to RM7,280,000 in respect of the Purchase Consideration through advances and/or shareholder's loan from the Company.

Pursuant to the terms of Put Option Agreement set out in **Appendix II** of this announcement, and in the event the Put Option is exercised by the Grantees, the Put Option price shall be based on the agreed multiple(s) multiplied by the audited normalised operating PAT as set out in **Section 2, Appendix II** of this announcement, Salcon Smile shall make the necessary payment to the Grantees in exchange of the effective transfer of the Put Option Shares in favour of Salcon Smile, which may be paid in cash or in kind e.g. shares (the value of such consideration shares or assets in lieu of cash shall be mutually agreed by both parties or else determined by a mutually appointed valuer). If in the form of cash payment, Salcon Smile intends to fund the cash payment in respect of the Put Option, if exercised by the Grantees, through a combination of internally generated funds and/ or bank borrowings, the quantum of which can only be ascertained at the material time of exercise of the Put Option.

2.4 Liabilities to be assumed

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the SSA, there are no other liabilities, including contingent liabilities and/ or guarantees, to be assumed by Salcon Group arising from the Proposed Acquisition.

2.5 Additional financial commitment required

Upon completion of the Proposed Acquisition, there are no additional financial commitments to be incurred by Salcon Group to put the business of SPH Dental on-stream, in view that it is already an on-going business entity.

2.6 Information on Vendors

2.6.1 Dr. Harveen Kaur Boparoy A/P Jasbir Singh ("Dr. Harveen")

Dr. Harveen, a Malaysian aged 35, is currently the Director and substantial shareholder of SPH Dental. She graduated with a First Class Honours from Penang International Dental College in 2013 and has approximately 11 years of experience in the dental industry. She began her career as a dental officer in the Ministry of Health until 2015, then worked as a general dental practitioner at Ooi Dental Clinic until 2019. In 2020, she joined Klinik Pergigian Kheng as a general dental practitioner and currently assumes the role as a Director of SPH Dental.

As at the LPD, she does not hold any Salcon Shares and is not connected to any directors and major shareholder of Salcon.

2.6.2 Prakash A/L Sinnappu ("Prakash")

Prakash, a Malaysian aged 36, is currently the Chief Operating Officer of SPH Dental. He graduated from Monash University in 2012 with a Bachelor of Engineering (Electrical and Computing Systems Engineering) and has experience in the oil and gas and the dental industries. He began his career as an engineer and field supervisor / field engineer in Weatherford until 2020. In the same year, he joined Wellpro Group as the operations supervisor until 2022. In 2020, he joined Klinik Pergigian Kheng and currently assumes the role as the Chief Operating Officer of SPH Dental.

As at the LPD, he does not hold any Salcon Shares and is not connected to any directors and major shareholder of Salcon.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition marks a strategic expansion for Salcon Group to expand its range of healthcare offering by venturing into the provision of dental services. Under its healthcare arm, the Group is presently focused on the gloves business which comprise the manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves, covering various market segments such as dental, food, healthcare, industrial and laboratory.

The Proposed 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. With the acquisition of SPH Dental, the Group can potentially expand its revenue base and generate additional income stream, whilst at the same time, attain a wider customer outreach through its enlarged range of healthcare product and service offering.

Barring any unforeseen circumstances, the Board believes that the Proposed Acquisition will potentially augur well for the long term growth prospect of Salcon Group's business and may potentially contribute positively to the financial performance of the Group in the future.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

Despite the challenging external environment, the Malaysian economy grew by 3.7% in 2023, supported by resilient domestic demand and further recovery in tourism activities. During the year, the economy faced multiple challenges from weak external demand, disruptions in commodity production and higher cost of living, which weighed on household spending. The more moderate growth also reflected normalising conditions from the high base in 2022, which was supported by the reopening of the economy and sizeable policy measures. The confluence of these factors led growth to reach its trough in the second quarter of 2023.

The Malaysian economy is projected to grow between 4%–5% in 2024, driven by continued expansion in domestic demand, and improvement in external demand. Growth will be driven mainly by resilient domestic expenditure, with additional support emanating from the expected recovery in exports. Continued employment and wage growth will remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be driven by continued progress of multi-year projects in both the private and public sectors, with some support from implementation of catalytic initiatives under the national master plans.

(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)

4.2 Overview and outlook of the healthcare industry

The other services subsector is projected to rise by 5%, driven by private health and education segments. The Malaysia Healthcare Travel Council (MHTC) will engage in reinvigorating the Malaysian healthcare industry in an effort to establish a larger market base, especially in targeted markets such as China, India and Indonesia. In 2024, MHTC estimates that the healthcare tourism industry's revenue trajectory will be restored to its pre-pandemic level at RM1.7 billion. Meanwhile, Malaysia will continue to draw in students from abroad through continuous promotional efforts by the Education Malaysia offices and the Education Malaysia Global Services, along with local universities. These include implementing high-impact programmes to promote the Education Malaysia brand overseas, namely Edutourism; Meet and Greet with International Students in Malaysia; and the International Higher Education Seminar. Correspondingly, the government services subsector is forecast to record a growth of 4.7% in 2024.

(Source: Economic Outlook 2024, Ministry of Finance Malaysia)

4.3 Future prospects of the enlarged Salcon Group

Salcon Group currently operates in four business segments as part of the core business activities comprising (a) engineering and construction, (b) healthcare, (c) trading and services, and (d) property development. Salcon had ventured into healthcare business segment since FYE 31 December 2021 which included the manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves, covering various market segments such as dental, food, healthcare, industrial and laboratory.

The Proposed Acquisition represents an opportunity for Salcon Group to expand and diversify its range of healthcare product and service offerings, to include provision of dental and dental related services. This enables the Group to potentially expand its revenue base and generate additional income stream, whilst at the same time, attain a wider customer outreach through its enlarged range of healthcare product and service offering.

Upon completion of the Proposed Acquisition, the Group intends to continue with the on-going operations and business directions of the dental clinics under the management supervision led by the Vendors, namely Dr. Harveen and Prakash. In this respect, SPH Dental shall enter into service agreements with the respective Vendors for the purpose of (a) retaining and appointing Dr. Harveen as a medical director of SPH Dental under employment for a minimum of 5 years; and (b) appointing Prakash as a Chief Operating Officer of SPH Dental under employment for a minimum of 5 years, upon completion of the SSA. This serves to align the commitment of Dr. Harveen and Prakash with that of the dental clinics and its related operations for purposes of business continuity, upon the completion of the Proposed Acquisition.

Barring any unforeseen circumstances, the Board, after considering the abovementioned prospects, is optimistic that the Proposed Acquisition may augur well for the overall business and financial prospect of Salcon Group moving forward.

(Source: Management of Salcon)

5. RISK FACTORS

5.1 Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions precedent as set out in the SSA as disclosed in **Appendix I** of this announcement. In the event any of the conditions precedent are not fulfilled, the Proposed Acquisition may not be completed, which may result in the failure of Salcon Group to achieve the objectives and benefits of the Proposed Acquisition.

Notwithstanding that, the Board and management of Salcon shall use their best endeavours to ensure there is no delay in fulfilling all the conditions precedent set out in the SSA and to procure all necessary approvals from the relevant authorities and shareholders of Salcon to satisfy the conditions precedent within the stipulated timeframe.

5.2 Investment risk

There can be no assurance that the anticipated benefits from the Proposed Acquisition will be realised, and the enlarged Salcon Group will be able to generate sufficient revenue to offset the associated costs arising from the Proposed Acquisition.

Notwithstanding that, the Board will seek to mitigate such risks by conducting periodic assessments and reviews and to monitor the progress and performance of SPH Dental. Additionally, the Board will continue to exercise due care and take appropriate measures such as, amongst others, identify and evaluate the risk in planning the successful integration of SPH Dental with its existing business operations.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share capital and substantial shareholding structure

The Proposed Acquisition will not have any effect on the issued share capital and the substantial shareholding structure of Salcon, as the Proposed Acquisition does not involve any issuance of ordinary shares in Salcon ("**Salcon Shares**" or "**Shares**").

6.2 NA and gearing level

Based on the latest audited consolidated financial statements of Salcon Group as at 31 December 2022, and on the assumption that the Proposed Acquisition had been completed on that date, the pro forma effects of the Proposed Acquisition on the consolidated NA and gearing of Salcon are as follows:-

		I After the Proposed Acquisition RM'000	II After I and assuming exercise of Put Option RM'000
	Audited as at 31 December 2022 RM'000		
Share capital	458,276	458,276	458,276
Reserves	3,510	3,510	3,510
Accumulated losses	(36,755)	(37,005) ^{*1}	(37,005)
Shareholders' fund/NA	425,031	424,781	424,781
No. of shares ('000) (excl. treasury shares)	993,041	993,041	993,041
NA per share (RM)	0.43	0.43	0.43
Total borrowings (RM'000)	27,346	31,840 ^{*2}	31,840
Gearing level (times)	0.06	0.07	0.07

Notes:-

^{*1} After deducting estimated expenses of approximately RM0.25 million in relation to the Proposed Acquisition.

^{*2} After consolidating the total borrowings of SPH Dental as at 31 December 2023 amounting to RM4.494 million.

6.3 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any material effect on the earnings and EPS of Salcon Group for the financial year ending 31 December 2024. However, barring any unforeseen circumstance, the Proposed Acquisition may contribute positively to the consolidated earnings of the Group in the future financial years.

Purely for illustration purpose, assuming that the Proposed Acquisition had been completed on 1 January 2022, being the beginning of the latest audited FYE 31 December 2022, the pro forma effects of the Proposed Acquisition on the earnings of Salcon Group are as follows:-

	Audited FYE 31 December 2022 RM'000	I After the Proposed Acquisition ^{*1} RM'000	II After I and assuming exercise of Put Option ^{*2} RM'000
LAT attributable to owners of the Company	(24,330)	(24,635)	(24,765)
Weighted average no. of shares in issue ('000)	1,011,692	1,011,692	1,011,692
Basic loss per share (sen)	(2.40)	(2.43)	(2.45)

Notes:-

^{*1} After accounting for audited LAT of SPH Dental of RM0.483 million based on the FYE 31 December 2023, represented by 70% equity interest in SPH Dental to be acquired by Salcon Smile (an indirect 90%-owned subsidiary of Salcon) under the Proposed Acquisition.

^{*2} After accounting for audited LAT of SPH Dental of RM0.483 million based on the FYE 31 December 2023, represented by 100% equity interest in SPH Dental to be acquired by Salcon Smile (an indirect 90%-owned subsidiary of Salcon) under the Proposed Acquisition and assuming after the exercise of Put Option.

Notwithstanding the above, the impact of the Proposed Acquisition on the earnings and EPS of Salcon Group moving forward will depend on the future earnings generated from SPH Dental.

7. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 2.44%, calculated based on the aggregate value consideration attributable to the 100% interest in SPH Dental to be acquired under the Proposed Acquisition (assuming the Put Option is exercised by the Grantees), over the audited consolidated NA of Salcon as at 31 December 2022.

8. APPROVALS REQUIRED

The Proposed Acquisition is not subject to the approval of the shareholders of Salcon.

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by the Company.

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

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

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the salient terms of the SSA, basis and justification of arriving at the Purchase Consideration, rationale and justification for the Proposed Acquisition, and the financial effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Acquisition to be completed by the second quarter of 2024.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SSA, Put Option Agreement and SHA are 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 the normal business hours from Monday to Friday (except public holidays) for a period being not less than 3 months from the date of this announcement.

This announcement is dated 29 April 2024.

SALIENT TERMS OF THE SSA

The following is a summary of the salient terms of the SSA:-

Parties involved	Vendors: Dr. Harveen Kaur Boparoy A/P Jasbir Singh and Prakash A/L Sinnappu Purchaser: Salcon Smile Sdn Bhd Target asset: SPH Dental Sdn Bhd
Purchase consideration	<p>(i) In consideration of the Purchase Consideration to be satisfied by the Purchaser pursuant to the terms of the SSA, the Vendors as legal and beneficial owner of the Sale Shares shall sell and the Purchaser relying on the warranties and representations by the Vendors herein contained shall purchase the Sale Shares free from any and all encumbrance and with all rights, benefits and other entitlements attaching to them now or hereafter, including all bonuses, rights, dividends and distributions declared made and paid as from the date of payment of the Purchase Consideration within the Completion Period or any other period or as may be agreed between the parties ("Completion Date") upon the terms and subject to the conditions contained in the SSA.</p> <p>(ii) On the execution of the SSA, the Vendors shall deposit with the Purchaser's solicitors ("Documentation Stakeholders") containing amongst others, original share certificates of the Sale Shares and the instrument of transfer of the Sale Shares (collectively referred to as the "Stakeholder Documents").</p> <p>(iii) The Purchase Consideration payable by the Purchaser to the Vendors is RM7,280,000.00 in accordance with the SSA.</p>
Conditions precedent	<p>Completion of the SSA is conditional upon the fulfilment of the following conditions:-</p> <p>(i) the Purchaser obtaining the requisite financing for the purchase of the Sale Shares from the Vendors in accordance with the terms and conditions herein;</p> <p>(ii) the conduct of legal, financial, operational, tax and other due diligence on SPH Dental, and the results of such due diligence being satisfactory to the Purchaser;</p> <p>(iii) the Purchaser to obtain all approvals, consents, authorisations, permits or waivers of all relevant authorities, including where necessary, Bank Negara Malaysia, Main Market of Bursa Securities, and third parties necessary or appropriate to carry out and complete the sale and purchase of the Sale Shares pursuant to the terms of the SSA;</p> <p>(iv) the Vendors obtaining of approval of SPH Dental and all approvals, consents, authorisations, permits or waivers of all relevant authorities, including Ministry of Health and third parties necessary or appropriate to carry out and complete the sale and purchase of the Sale Shares pursuant to the terms of the SSA;</p> <p>(v) the Vendors obtaining of all approvals by banks, financial institutions and/or creditors of SPH Dental wherever required for the transactions contemplated in the SSA;</p> <p>(vi) the execution of the SHA between Dr. Harveen, Prakash and the Purchaser in respect of their mutual obligation in SPH Dental;</p> <p>(vii) the execution of a service agreement between Dr. Harveen and Prakash and SPH Dental respectively, which contains, amongst others, the salient terms to reflect Dr. Harveen and Prakash's contract for service for a period of 5 years, to be extended for such other period to be agreed mutually between the Purchaser and Dr. Harveen and Prakash respectively;</p> <p>(viii) letters of confirmation from the shareholders and/or directors of SPH Dental with outstanding advances made to SPH Dental to confirm the amount of advances made and the repayment tranches to settle the same;</p> <p>(ix) letters of confirmation from all creditors of SPH Dental for sums amounting RM50,000.00 and above excluding the financial institutions (as particularly set out in the SSA) to confirm that the outstanding sum(s) owing to them by SPH Dental as of the date of request (if applicable);</p> <p>(x) letters of confirmation / statement from the chargee of SPH Dental's loan to confirm that the outstanding sum(s) owing to them by SPH Dental as of the date of request (if applicable);</p> <p>(xi) full records and agreements executed with SPH Dental's employees and dentists and a letter of confirmation from SPH Dental on the details of all existing employees in SPH Dental including remittance status of the EPF, SOCSO and EIS Insurance;</p>

SALIENT TERMS OF THE SSA

- (xii) letter of confirmation no material adverse change to the business, operations, assets, financial condition, turnover or prospects of SPH Dental prior to the Completion Date;
- (xiii) The Vendors shall deposit or caused to be deposited with the Purchaser the valid and subsisting insurance policies for all dental practitioners at the dental clinics ("**Outlets**") and the valid practising certificates by the Ministry of Health or the relevant authorities for all personnel appointed and/or employed by the Vendors to practice dentistry in SPH Dental;
- (xiv) The Vendors shall furnish the Purchaser with either an additional Premise License or Composite License consisting of both Advertising License and Premise License in respect of the Outlet located at No. 138, Jalan Tun H.S. Lee (Jalan Bandar) 50000 Wilayah Persekutuan Kuala Lumpur;
- (xv) The Vendors shall take all necessary steps to ensure compliance of the scope of facilities set out in the regulatory clinic certifications issued for the Outlets;
- (xvi) The execution of a Profit Guarantee in the form and substance agreeable with the Purchaser;
- (xvii) the execution of an Escrow Agreement in the form and substance agreeable to the Escrow Agent and the parties;
- (xviii) procurement of the Vendor of all shareholders' and directors' resolutions to approve/ratify all material transactions undertaken by SPH Dental since the date of incorporation including sale and purchase agreements and tenancy agreements;
- (xix) procurement by the Vendor that tenancy agreements in respect of the clinics, business and operations under SPH Dental are valid and subsisting and all consecutive renewals of such tenancies have been secured accordingly and the Vendor shall further obtain written clarification on all discrepancies or ambiguities in respect of the tenancy agreements from the respective landlords;
- (xx) procurement by the Vendor of the latest assessment bills/receipts of the premises SPH Dental and/or the Outlets are occupying reflecting the details of the registered owners of the said premises;
- (xxi) procurement by the Vendor of full details of the equipment within the premises including the serial numbers and valid and subsisting certificates;
- (xxii) procurement by the Vendor of proof of ownership of the "khengdental.com" domain in favour of the Vendor;
- (xxiii) the representations and warranties of the parties herein being true, accurate and correct in all material respects as if made on the Completion Date, with references to the existing circumstances and the Parties having performed in all material respects of all his or its obligations under the SSA which are required hereunder to be performed on or before the Completion Date,

collectively referred to as the "**Conditions Precedent**".

Notwithstanding anything to the contrary, the Conditions Precedent shall be satisfied within 30 business days from the date of the SSA (hereinafter referred to as the "**Cut-Off Date 1**"). Thereafter, both parties may (before or on expiry of the Cut-Off Date 1) have an extension(s) of time as may be granted by the Purchaser in writing to satisfy or fulfil the Conditions Precedent. If the Conditions Precedent has not been fulfilled on the expiry of the Cut-Off Date 1 or such extension of time agreed by the Purchaser, then the SSA shall lapse and cease to have any further force or effect and the Documentation Stakeholders shall be authorised to return the Stakeholders Documents to the Vendors and the Purchaser's Solicitors shall refund the Deposit upon the expiry of the Cut-Off Date 1 or upon receipt of a copy of the written notice from both parties whichever is earlier.

SALIENT TERMS OF THE SSA

Conditions subsequent	<p>Post-completion of the SSA, the following condition subsequent shall be required to be fulfilled by the Vendors:-</p> <p>(i) submission of application for registration of the "Kheng Dental" logo and brand/trade name to the Intellectual Property Corporation of Malaysia (MyIPO) ("Condition Subsequent").</p> <p>Notwithstanding anything to the contrary, the Condition Subsequent shall be satisfied within 6 months, or such extended time as may be granted by the Purchaser in writing, from the Completion Date (hereinafter referred to as the "CS Deadline"). If the Condition Subsequent has not been fulfilled on or before the CS Deadline, the parties shall consider all of the options available towards the deemed fulfilment or waiver by the Purchaser of the terms of this clause, failing which, clause (termination in event of defaulting Vendors) shall apply.</p>									
Mode of settlement	<p>The Purchase Consideration of 7,280,000 only shall be satisfied by the Purchaser as follows:-</p> <p>(i) RM280,000 only being a refundable deposit ("Deposit") shall be paid by the Purchaser to the Purchaser's Solicitors as stakeholder for the Vendors within 30 days from the date the Documentation Stakeholder receives the Stakeholder Documents, and the Vendors acknowledged the same shall form part payment towards the Purchase Consideration of the SSA. For avoidance of doubt, the Deposit shall be refundable in the event the Condition Precedents are not satisfied;</p> <p>(ii) RM3,000,000 only being the escrow sum ("Escrow Sum") shall be paid to the Escrow Agent which shall retain the sum in the Escrow Account and to deal with the Escrow Sum in accordance with the terms of the SSA and the Escrow Agreement; and</p> <p>(iii) Within 30 days from the date of the Vendor fulfilling the last of the Conditions Precedent on the part to be performed by the Vendor, cash for the sum of RM4,000,000 only being the balance of the Purchase Consideration ("Balance Purchase Consideration") payable to Vendors on the Completion Date by way of cheque or banker's cheque or electronic transfer or remittance.</p> <p>The Deposit shall be released by the Purchaser's Solicitors to the Vendors in proportion to their respective shares upon the completion of the legal and financial due diligence for SPH Dental to the satisfaction of the Purchaser ("Due Diligence").</p> <p>The Deposit so released by the Purchaser's Solicitors shall be deemed as a non-refundable deposit paid to the Vendors in proportion to their respective Sale Shares and shall be forfeited absolutely in the event the Purchaser refuses or fails to complete the SSA on or before the Completion Date PROVIDED ALWAYS where the Vendors are in default of any provisions of the SSA or Due Diligence is not satisfied, the Vendors shall refund the Deposit to the Purchaser upon demand thereof by the Purchaser.</p>									
Profit Guarantee	<p>(i) The Vendors undertake and guarantee that the normalised operational PAT for SPH Dental for the 2 financial years after completion and ending 31 December 2025 and 31 December 2026 ("Profit Guarantee Period") SHALL NOT BE LESS than RM1,300,000 only per year ("Profit Guarantee"). For clarity, the Profit Guarantee by the Vendors for the financial year ending 31 December 2025 shall be RM1,300,000 only and the Profit Guarantee by the Vendors for SPH Dental's financial year ending 31 December 2026 shall be RM1,300,000 only. The cumulative Profit Guarantee stands at RM2,600,000 only ("Total Profit Guarantee").</p> <p>(ii) To secure the Total Profit Guarantee, the Vendors and the Purchaser shall jointly appoint an Escrow Agent to hold and manage the Escrow Sum of RM3,000,000 only in the Escrow Account subject to the terms of the SSA and the Escrow Agreement. The Escrow Sum shall be paid by the Purchaser to the Escrow Agent upon Completion Date.</p> <p>(iii) SUBJECT always to the terms of Profit Guarantee being first met by the Vendors, the Escrow Sum shall be released to the Vendors in proportion to their respective Sale Shares in two (2) equal instalments over Profit Guarantee Period identified as follows:-</p> <table border="1" data-bbox="475 1877 1461 1957"> <thead> <tr> <th>Profit Guarantee Period</th> <th>Release of Escrow Sum in tranches</th> <th>Amount (RM)</th> </tr> </thead> <tbody> <tr> <td>31 December 2025</td> <td>First tranche payment</td> <td>1,500,000</td> </tr> <tr> <td>31 December 2026</td> <td>Second tranche payment</td> <td>1,500,000</td> </tr> </tbody> </table> <p>(a) The parties agree that the Escrow Agent shall not be entitled to release any monies from the Escrow Account to the Purchaser prior to the adoption of Accounts 2025.</p>	Profit Guarantee Period	Release of Escrow Sum in tranches	Amount (RM)	31 December 2025	First tranche payment	1,500,000	31 December 2026	Second tranche payment	1,500,000
Profit Guarantee Period	Release of Escrow Sum in tranches	Amount (RM)								
31 December 2025	First tranche payment	1,500,000								
31 December 2026	Second tranche payment	1,500,000								

SALIENT TERMS OF THE SSA

	<p>(b) The Escrow Agent shall facilitate the release of the First Tranche Payment of Escrow Sum in the event the profit after taxation based on the Accounts 2025 are satisfied.</p> <p>(c) The Escrow Agent shall facilitate the release of the Second Tranche Payment of Escrow Sum in the event the cumulative profit after taxation based on the Accounts 2025 and Accounts 2026 are satisfied.</p> <p>(iv) Upon adoption of the Accounts 2025 by the shareholders of SPH Dental: In the event the profit after taxation for Accounts 2025 is <u>LESS THAN</u> the amount of RM1,300,000 only the PAT for the Accounts 2025 shall be added to the calculation of PAT for Accounts 2026. The Escrow Agent shall NOT release any sums of monies from the Escrow Account to the Vendors and Purchaser but hold the same subject to below.</p> <p>(v) Upon adoption of the Accounts 2026 by the shareholders of SPH Dental:</p> <p>(a) Where there has been a release of part of the Escrow Sum and in the event the PAT based on Accounts 2026 is <u>LESS THAN</u> RM1,300,000 only, the Purchaser shall be entitled to instruct the Escrow Agent to release from the Second Tranche Payment as follows (i) firstly, a sum equivalent to 70% of the shortfall ("Shortfall Amount 1") to the Purchaser; and (ii) lastly any balance thereof to the Vendors in proportion to their respective Sale Shares.</p> <p>(b) where there is NO release of part of the Escrow Sum and in the event the cumulative PAT based on the Accounts 2025 and Accounts 2026 is <u>LESS THAN</u> RM2,600,000 only, the Purchaser shall be entitled to instruct the Escrow Agent to release from the First Tranche Payment and the Second Tranche Payment as follows (i) firstly, a sum equivalent to 70% of the shortfall ("Shortfall Amount 2") to the Purchaser; and (ii) lastly any balance thereof to the Vendors in proportion to their respective Sale Shares.</p> <p>(c) Where the First Tranche Payment and/or Second Tranche Payment (as the case may be) is <u>INSUFFICIENT</u> to meet the provisions set out above, the Vendors shall pay such difference between Second Tranche Payment and the Shortfall Amount 1, OR, difference between First Tranche Payment and the Second Tranche Payment and the Shortfall Amount 2 (as the case may be), to the Purchaser in proportion to their respective Sale Shares ("Top Up") failing which any sums remaining unpaid shall be deemed a debt due and owing by the respective Vendors to the Purchaser in their proportions thereto.</p>
Breach/ Termination	<p>(i) If the Purchaser ("Defaulting Purchaser") shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date, then the Vendors shall be entitled to either (a) claim for specific performance of the SSA; or (b) terminate the SSA and upon such termination, the Vendors shall return all the monies paid towards the Purchase Consideration (free of interest) excluding the non-refundable Deposit paid, to the Purchaser.</p> <p>(ii) If the Vendors ("Defaulting Vendors") shall fail to complete the sale and purchase of the Sale Shares in accordance with the SSA on Completion Date in the manner stipulated in the representation and warranties of the Vendors clause per SSA and/or breaches any of the material terms of the SSA, then the Purchaser shall be entitled to either (a) claim for specific performance of the SSA; (b) terminate the SSA and upon such termination, the Vendors shall refund to the Purchaser all monies paid towards the Purchase Consideration (free of interest) together with all reasonable costs and expenses incurred by the Purchaser up to a maximum sum of RM75,000 only pursuant to the negotiation and preparation of the SSA and any incidental costs.</p> <p>(iii) If the Vendors shall breach any of their respective obligations under their representation and warranties per SSA, the Purchaser shall be entitled to claim for specific performance in addition to any other remedies as may be available to the Purchaser under law and/or equity and the Vendors shall indemnify and hold the Purchaser(s) harmless against all costs, charges and expenses incurred or suffered by the Purchaser arising from such breach.</p>

SALIENT TERMS OF THE PUT OPTION AGREEMENT

The following is a summary of the salient terms of the Put Option Agreement:-

1. Grant of put option and the right to exercise

In consideration of RM10.00 only paid by the Grantees to Salcon Smile receipt of which Salcon Smile acknowledges, Salcon Smile hereby grants the Grantees the Put Option on the exercise of which the Grantees shall be entitled to sell and Salcon Smile and/ or its nominated party(ies) shall become bound to complete the sale of the Put Option Shares held by the Grantees in SPH Dental as stipulated in the Put Option notice given by the Grantees to Salcon Smile on the transfer terms.

The Grantees may exercise the Put Option to sell all and not part of the Put Option Shares at any time during the Put Option Period and in the manner set out in the Put Option Agreement PROVIDED ALWAYS that the exercise of the Put Option by the Grantees and compliance thereof by Salcon Smile will first comply with all existing laws in Malaysia or otherwise including but not limited to any rules and regulations of Bursa Securities, Securities Commission Malaysia and or any other authorities necessary or appropriate to carry out and complete this Put Option.

Subject to the provisions above and herein, the Put Option may be exercised by the Grantees by serving the Put Option notice to Salcon Smile.

The Grantees shall exercise the Put Option simultaneously or not at all. For clarity, Salcon Smile may refuse to purchase the Put Option Shares if the Grantee fails to serve the Put Option notice during the Option Period simultaneously to Salcon Smile.

2. Put Option price

The Put Option price shall be based on a multiple of as determined based on the scenarios below ("**Agreed Multiple**") multiplied by the audited normalised operating PAT for the preceding financial year ("**Applicable PAT**") multiplied by the Put Option Shares divided by the total number of shares of SPH Dental based on the formula below:-

The Agreed Multiple will be as follows:-

Valuation Basis	PE Multiple (times)	
	Non- IPO Event	IPO Event*
If normalised operating PAT < RM 2 mil	7	8
If normalised operating PAT > RM 2 mil but < RM3 mil	8	9
If normalised operating PAT > RM 3 mil but < RM6 mil	8	10
If normalised operating PAT > RM 6 mil but < RM8 mil	9	11
If normalised operating PAT > 8 mil	10	12

Note:-

* *IPO Event meaning the situation where the company has officially commenced its preparations for a listing process on the Malaysian or Singapore Stock Exchange via the appointment of a principle advisor/ financial sponsor.*

3. Put Option Period

The exercise of Put Option by the Grantee shall be exercised within a 5 year period from the end of 5 years anniversary from the completion of the acquisition of the 70% shareholding of SPH Dental by Salcon Smile from the Grantees pursuant to the SSA as set out in **Appendix I** of this announcement.

SALIENT TERMS OF THE PUT OPTION AGREEMENT

4. Termination

The Put Option Agreement shall, at the option of the Grantees, terminate upon written notice to Salcon Smile, if Salcon Smile:

- (a) becomes insolvent, commits any act of insolvency, files any action or petition of insolvency or makes a general assignment for the benefit of its creditors;
- (b) has a receiver appointed by a court of competent jurisdiction over its property or any part thereof which not dismissed within 30 days or is not in the process of being dismissed; or
- (c) an order has been made or petition presented or resolution passed for the winding up of Salcon Smile, or any distress, execution or other process been levied in respect of Salcon Smile which remains undischarged; or
- (d) is convicted of or pleads no contest to a crime or offense that is likely to adversely affect the reputation of the Grantee.

SALIENT TERMS OF THE SHA

Dr. Harveen, Prakash and Salcon Smile are hereinafter referred to as the "**Shareholders**" or "**Parties**".

The following is a summary of the salient terms of the SHA:-

1. Share capital

The shareholdings of each of the Shareholders in the issued share capital of SPH Dental are in the proportions as set out below ("**Agreed Proportion**"):-

Groups	Name of Shareholders	Percentage of issued share capital (%)	Shareholding (no. of shares)
Group A	Dr. Harveen	15	7,500
	Prakash	15	7,500
Group B	Salcon Smile	70	35,000
Total		100.0	50,000

2. Directors and Management of SPH Dental

The determination of the overall policy and strategic directions of SPH Dental shall rest with the Board. The company's chief executive officer (CEO) or Managing Director or approved officer who is jointly nominated by the Board of SPH Dental, shall be responsible for the overall management and supervision of the business.

The Shareholders hereby agree that the Board of SPH Dental shall consist of at least 2 directors of which, comprising of:-

- (a) 1 director from Group A, being Dr. Harveen; and
- (b) 1 director as nominated by Group B, being Leong Yi Shen.

3. First right of refusal

Subject to the provisions in the SHA, in the event Group A receives an offer in writing to purchase its shares in SPH Dental at an offer price (**Offer Price**), Group A represents and warrants that it hereby grants Group B at all times the first right of refusal to purchase Group A's shares at either: (i) the Offer Price, OR, (ii) a purchase price of no more than the agreed multiple of 8 times the last audited normalised PAT of SPH Dental as determined by an independent valuer to be mutually agreed in writing by both parties.