

SALCON BERHAD ("SALCON" OR "COMPANY")

DISPOSAL OF 2 UNITS OF 3-STOREY SHOP OFFICE ERECTED ON 2 SEPARATE PIECES OF FREEHOLD LANDS LOCATED IN BANDAR PUTERI, 41200 KLANG, SELANGOR DARUL EHSAN AND ALL THAT PIECE OF FREEHOLD BUNGALOW LAND LOCATED IN MUKIM BERANANG, DAERAH ULU LANGAT, SELANGOR DARUL EHSAN TO LOW CHEE HAUR BY ENVITECH SDN BHD ("ENVITECH" OR "VENDOR"), A 60%-OWNED SUBSIDIARY OF SALCON ENGINEERING BERHAD ("SEB"), WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF SALCON

1. INTRODUCTION

Pursuant to Paragraphs 10.08(1) and 10.12 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Salcon wishes to announce that Envitech had on 17 December 2021 entered into 2 separate sale and purchase agreements ("SPA(s)") with Low Chee Haur ("LCH" or "Purchaser") for the sale of the properties as detailed below:

Transaction	Related Party	Nature of Relationship	Description of Properties	Selling Price
1	LCH	LCH is a person connected to Low Ah Chye @ Low Beng Peow ("LAC"), a director and major shareholder of Envitech by virtue of their family relationship i.e. LCH is a son of LAC. LAC is also holding	SPA 1 for the disposal of the following: (i) A unit of 3-storey shop office bearing postal address of No. 79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan erected on HS(D) 99512 P.T. 81463 in the Mukim and Daerah Klang and State Selangor ("Property 1"); and (ii) A unit of 3-storey shop office bearing postal address of No. 81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan erected on HS(D) 99513 P.T. 81464 in the Mukim and Daerah Klang and State Selangor ("Property 2").	Property 1 – RM820,000.00 Property 2 – RM980,000.00 Collectively known as "Selling Price 1".
2		0.03% shareholding in Salcon.	SPA 2 for the disposal of all that piece of freehold bungalow land known as Lot 1-176 held under HS(D) 62070 PT 2074 Mukim Beranang, Daerah Ulu Langat and Negeri Selangor, measuring approximately 1,115 square metres bearing postal address of No. 5, Jalan BM 9/2C, Seksyen 9, Bandar Bukit Mahkota, Beranang, 43000 Kajang, Selangor Darul Ehsan ("Property 3").	RM320,000.00 ("Selling Price 2")
TOTAL				RM2,120,000.00

Transactions 1 and 2 are collectively referred to as “**Transactions**”.

Vendor and Purchaser are collectively referred to as “**Parties**”.

Property 1, Property 2 and Property 3 are collectively referred to as “**Properties**”.

Selling Price 1 and Selling Price 2 are collectively referred to as “**Selling Prices**” and individually as “**Selling Price**”.

2. INFORMATION OF ENVITECH

Envitech is a private limited company incorporated in Malaysia on 30 August 1984 and having its registered address at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan.

The present issued share capital of Envitech is RM3,500,000 comprising 3,500,000 ordinary shares. The principal activity of Envitech is design, building, operation and maintenance of wastewater and sewage treatment plants.

The directors and shareholders of Envitech are as follows:

No.	Directors		
1.	Tan Sri Dato’ Tee Tiam Lee		
2.	Dato’ Leong Kok Wah		
3.	LAC		
4.	Lee Thim Loy		
5.	Jamiluddin Amini Bin Sulaiman		
No.	Shareholders	No. of Ordinary Shares held	Percentage (%)
1.	SEB	2,100,000	60.00
2.	LAC	637,000	18.20
3.	Lee Thim Loy	637,000	18.20
4.	Ho Yueh Chuen	126,000	3.60
	Total	3,500,000	100.00

3. DETAILS OF THE PROPERTIES

	Property 1	Property 2	Property 3
Postal Address	No. 79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	No. 81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	No. 5, Jalan BM 9/2C, Seksyen 9, Bandar Bukit Mahkota, Beranang, 43000 Kajang, Selangor Darul Ehsan
Description	A unit of 3-storey shop office erected on HS(D) 99512 P.T. 81463 in the Mukim and Daerah Klang and State Selangor	A unit of 3-storey shop office erected on HS(D) 99513 P.T. 81464 in the Mukim and Daerah Klang and State Selangor	A freehold bungalow land known as Lot 1-176 held under HS(D) 62070 PT 2074 Mukim Beranang, Daerah Ulu Langat and Negeri Selangor
Existing and proposed usage	Unoccupied	Unoccupied	Unoccupied
Building area (square feet) (approximately)	4,500	4,500	N/A
Land area (square metres) (approximately)	143	143	1,115
Net lettable or useable areas (square feet) (approximately)	4,500	4,500	N/A
Area to be self-occupied and let out	N/A	N/A	N/A
Amount of lettable space available for letting and the occupancy	N/A	N/A	N/A
Percentage of occupancy	N/A	N/A	N/A
Terms of tenure	Freehold	Freehold	Freehold
Age of building	16 years	16 years	N/A
Net book value ("NBV") based on the latest audited financial statement as at 31 December 2020	RM967,418.89	RM1,161,927.42	RM230,000.00
Encumbrances	Nil	Nil	Nil

4. DETAILS OF THE TRANSACTIONS

4.1. Salient terms of the SPAs

4.1.1. With respect to the physical condition of the Properties, the disposal of the Properties is on an "as is where is" basis and subject to such conditions (whether express or implied) in the affecting Properties, in particular the category of land use and to the conditions and restrictions as may be imposed by the State Authority in respect of the Properties.

4.1.2. Selling Prices and terms of payment

The Selling Price as stated in the respective SPAs shall be paid by the Purchaser in cash and satisfied in the following manner:-

- (a) 10% of the Selling Price shall be paid upon execution of the SPA (hereinafter referred to as "the **Deposit Sum**") and the receipt whereof is hereby acknowledged by the Vendor as a forfeitable deposit and in the event of the completion of the sale and purchase herein as part payment towards the Selling Price;
- (b) The balance of the Selling Price (hereinafter referred to as the "**Balance Sum**") shall be paid by the Purchaser by way of 3 quarterly instalments from the date of SPA. Both Parties agrees that the Purchaser shall settle each of the above Instalment before end of the third, sixth and ninth months from the date of the SPA.

4.1.3. Completion

Completion of the sale and purchase of the Properties shall take place on or before 9 months from the date of SPAs (hereinafter referred to as "**the Completion Date**") and/or any extended period to be agreed by Envitech and LCH.

4.1.4. Failure to complete the SPAs

(a) Failure by Purchaser

If the Purchaser fails to make payment of the Balance Sum in the manner and at the time aforesaid in item 4.1.2(b), the Vendor, among others:-

- (i) shall be entitled by notice in writing to the Purchaser or the Purchaser's Solicitors to terminate the SPA;
- (ii) the Deposit Sum paid by the Purchaser to the Vendor pursuant to item 4.1.2 shall be forfeited to the Vendor as agreed liquidated damages and any sum in excess thereof shall be refunded to the Purchaser free of interest within 7 days from date of termination (failing which in addition to the excess sum due for refund, interest thereon the said excess sum shall be payable by the Vendor to the Purchaser at the rate of 8% per annum calculated on a daily basis from the due date of refund until the date of full refund);

- (iii) re-deliver vacant possession of the said Properties to the Vendor (if it has already been delivered to the Purchaser) without any rental or compensation being payable; and
- (iv) remove all caveats encumbrances and restraints, if any, including the private caveat on the Properties lodged by the Purchaser and the Purchaser's financier.

Thereupon, the SPA shall be rendered null and void and the Parties shall have no further claim or claims against each other.

(b) Failure by Vendor

If the Vendor fails to comply with any of the provisions of the SPA, the Purchaser, among others:-

- (i) shall be entitled at the cost and expense of the Vendor to the damages and remedy of specific performance of the SPA against the Vendor and to all ancillary reliefs thereto or to terminate the SPA;
- (ii) the Vendor shall refund all monies free of interest to the Purchaser that have been paid by the Purchaser and/or by the Purchaser's financier (as the case maybe) and in addition, pay to the Purchaser a sum 10% of the Selling Price as agreed liquidated and ascertained damages within 7 days from the date of receipt of a termination written notification from the Purchaser or the Vendor's solicitors. In the event that the Vendor fail to refund the monies and the agreed liquidated and ascertained damages within the above stipulated time, the Purchaser shall be entitled to an interest calculated at the rate of 8% per annum on the sum of monies that have been paid by the Purchaser and the agreed liquidated and ascertained damages, calculated on a daily basis from the expiry of the seventh day until the actual date of receipt of the monies by the Purchaser.

Thereafter, the SPA shall become null and void and shall have no further effect and neither party hereto shall have any claims against the other save and except for any antecedent breach of the SPA.

4.2. Basis of arriving at the consideration and Justification for the consideration

The Selling Prices were arrived at the negotiations between LCH and Envitech on a willing-buyer willing-seller basis after taking into consideration the valuation report dated 17 December 2021 ("**Valuation Report**") from C H Williams Talhar & Wong Sdn Bhd ("**Valuer**") and prevailing property market sentiments.

The Properties were appraised by the Valuer using Comparison Approach. The Comparison Approach entails analysing recent transactions and asking prices of similar property in and around the locality for comparison purposes with adjustment made for differences in location, size, age and condition of unit, tenure, title restrictions if any and other relevant characteristics to arrive at the market value.

The Audit Committee and the Board of Directors ("**Board**") of Salcon are of the view that the Selling Prices are fair and reasonable after taking into consideration the following:

- (i) The valuation carried out by the Valuer for the Properties. Based on the said Valuation Report, the market value of the Properties are as follows:

Properties	Market value (RM)
Property 1	850,000.00
Property 2	980,000.00
Property 3	360,000.00

- (ii) The Properties are currently unoccupied and idle. Envitech and Salcon have no intention to utilise the Properties in the future. If the Properties are continued to left vacant and idle, additional costs are required to maintain and/or repair the Properties.
- (iii) It is a good opportunity for Envitech to monetize the 3 non-revenue-generating properties. The Properties are not generating income as it was difficult to attract interested buyers and/or tenants in view of the prevailing weak market sentiment.

4.3. Liabilities to be assumed by Salcon

There are no liabilities, including contingent liabilities to be assumed by Salcon arising from the Transactions.

5. TRANSACTION WITH THE RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Transactions, there is no other transaction entered into between LCH, the related party (including persons connected to him), and Salcon Group for the preceding 12 months.

6. ORIGINAL COST OF INVESTMENT AND DATE OF SUCH INVESTMENT

Properties	Date of Investment	Cost of Investment (RM)
Property 1	15 May 2013	1,029,169.00
Property 2	15 May 2013	1,236,093.00
Property 3	28 November 2002	324,000.00

7. UTILISATION OF PROCEEDS

The proceeds from the Transactions will be utilised for working capital of Envitech. The timeframe for full utilisation of proceeds is subject to actual working capital requirements of Envitech.

8. EXPECTED GAINS/LOSSES TO SALCON GROUP

The expected gains/losses from the Transactions compare to the NBV of the Properties as at 31 December 2020 are as follows:-

Properties	Expected Gain/Loss (RM)
Property 1	(147,418.89)
Property 2	(181,927.42)
Property 3	90,000.00
TOTAL	(239,346.31)

9. EFFECTS OF THE TRANSACTIONS

The Transactions are not expected to have any significant effect on the earnings per share, net assets per share and gearing of Salcon for the financial year ending 31 December 2021.

There is no effect on the share capital and substantial shareholders' shareholdings in Salcon.

10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

Save as disclosed under item 1, none of the Directors and/or major shareholders of Salcon and/or persons connected to the Directors and/or major shareholders of Salcon have any interest, direct or indirect, in the Transactions.

LAC, the interested director has abstained from deliberating and voting on the relevant directors' resolution of Envitech.

11. RATIONALE AND BENEFITS OF THE TRANSACTIONS

The Transactions are to unlock the value of the investments in the Properties and generate cash flow. This would enable Envitech and Salcon group to have greater financial flexibility to pursue future potential business opportunities.

12. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Transactions pursuant to paragraph 10.02(g) and Practice Note 14 (Principle of Aggregation for Transactions) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad computed based on Salcon's latest audited financial statements for the financial year ended 31 December 2020 are as follows:-

Transactions	Highest Percentage Ratio (%)
1	0.29
2	0.04
TOTAL	0.33

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered all aspects of the Transactions, is of the view that the Transactions are:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

14. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Transactions including but not limited to the rationale, salient terms of the SPAs, the effect of the Transactions, is of the opinion that the Transactions are:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of the Company.

15. APPROVALS REQUIRED

The Transactions are not subject to the approval of the shareholders of the Company or any government authorities.

16. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Transactions are expected to be completed by second half of 2022.

17. DOCUMENTS FOR INSPECTION

Copies of the SPA(s) and Valuation Report relating to the Transactions 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 business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.