

SALCON BERHAD (“SALCON” OR “THE COMPANY”)

JOINT VENTURE AGREEMENT BETWEEN CIRCLIC INTERACTIVE TOURISM SDN BHD (FORMERLY KNOWN AS CIRCLIC INTERACTIVE SDN BHD) (“CIRCLIC”), A 65%-OWNED SUBSIDIARY OF SALCON XINLIAN GROUP LIMITED (“SXGL”), WHICH IN TURN IS A 51.02%-OWNED SUBSIDIARY OF SALCON, AND SHENZHEN WISDOM SPORTS INDUSTRY CO., LTD (“SHENZHEN WISDOM”)

1. INTRODUCTION

Pursuant to paragraph 10.05 of Bursa Malaysia Securities Berhad Main Market Listing Requirements (Main LR”), the Board of Directors of Salcon wishes to announce that on 28 February 2017, CIRCLIC had entered into a Joint Venture Agreement (“JVA”) with SHENZHEN WISDOM for the following purposes:-

- (i) to form a joint venture through Wisdom Sports (M) Sdn Bhd (formerly known as Enrich Signature Sdn Bhd) (“WSSB” or “the JV Co”) (a wholly-owned subsidiary of CIRCLIC) for the purpose of organizing and managing the Belt and Road Marathon Majors (“BRMS”) to be held in Malaysia; and
- (ii) to regulate the relationship of CIRCLIC and SHENZHEN WISDOM as shareholders of the JV Co.

BRMS is initiated by the Chinese Athletic Association (CAA), a governing body of athletic sports in China, to promote people to people bond and cultural exchanges between China and over 60 countries in Asia, Africa, Middle East and Europe. The Belt & Road initiative is an important vision and initiative of President Xi Jinping of the People’s Republic of China.

Subject to applicable laws and the terms of the JVA, the ordinary shares of the JV Co shall (unless varied in accordance with the terms of the JVA) be held by CIRCLIC and SHENZHEN WISDOM (“Shareholders”) in the following agreed proportions (“Proposed Subscription”):-

Shareholders	Percentage of shareholdings (%)
CIRCLIC	45
SHENZHEN WISDOM	55

(hereinafter referred to as “Agreed Proportions”)

The issued share capital of the JV Co may be determined and/or increased via subsequent capital calls upon such terms and conditions and at such times as the board of directors of the JV Co shall decide provided always that the number of ordinary shares allotted, from time to time, shall be held by the Shareholders in accordance with the Agreed Proportions. Thus any new ordinary shares to be issued by the JV Co from time to time shall be offered to the Shareholders on similar terms and conditions in accordance with the Agreed Proportions as at the relevant time. Any new ordinary shares not taken up any shareholder, the new ordinary shares shall be offered by the board of directors to the other shareholders (proportionately) and the Agreed Proportions shall be deemed varied to the new percentage of ordinary shares held resulting from such subscription.

WSSB is currently a wholly-owned subsidiary of CIRCLIC. Following the Proposed Subscription, CIRCLIC's equity interest in WSSB will be reduced from 100% to 45% and WSSB will cease to be an indirect subsidiary of Salcon.

2. DETAILS OF THE SUBSCRIPTION PRICE

The subscription price by CIRCLIC and SHENZHEN WISDOM in respect of the Proposed Subscription shall be paid in cash.

3. INFORMATION ON THE PARTIES INVOLVED

3.1 CIRCLIC

CIRCLIC was incorporated on 31 October 2014 as a Malaysian private limited company under the Companies Act, 1965. The present share capital and number of issued shares of CIRCLIC is RM200,000.00 and 200,000 ordinary shares respectively. CIRCLIC is involved in developing social shopping mobile application and mobile communities globally emphasizing South East Asia region, for communication of commercial and consumer contents and has the local knowledge and connections in planning and organizing marathon race in Malaysia.

The existing directors and shareholders of CIRCLIC are as follows:-

Name of Directors

- i. Tan Sri Dato' Tee Tiam Lee
- ii. Dato' Leong Kok Wah
- iii. Law Woo Hock
- iv. See Che Chi
- v. Teoh Hooi Fang
- vi. Dato' Ngiam Foon

Name of Shareholders

Percentage of Shareholding

SXGL	65.0%
See Che Chi	6.0%
Teoh Hooi Fang	6.0%
Chuah Tse Leong	6.0%
Dato' Ngiam Foon	17.0%
TOTAL	100.0%

3.2 SHENZHEN WISDOM

SHENZHEN WISDOM was incorporated under the laws of People's Republic of China.

SHENZHEN WISDOM is a wholly-owned subsidiary of the Wisdom Sports Group, a public listed company in Hong Kong. Wisdom Sports Group is the largest marathon operator and sports marketing company in China.

3.3 WSSB

WSSB was incorporated on 8 December 2016 as a Malaysian private limited company under the Companies Act, 1965. The present share capital and number of issued shares of WSSB is RM2.00 and two (2) ordinary shares respectively. WSSB aims to develop the sports tourism business in Malaysia and the ASEAN region leveraging on the mass market in China.

The existing directors of WSSB are as follows:-

Name of Directors

- i. Law Woo Hock
- ii. See Che Chi

4. EFFECTS OF THE PROPOSED SUBSCRIPTION

4.1 Share capital and substantial shareholders' shareholding

The Proposed Subscription does not have any effect on the share capital and substantial shareholders' shareholdings of the Company.

4.2 Earnings per share, net assets per share and gearing

The Proposed Subscription does not have any effect on the earning per share, net assets per share and gearing of Salcon and its subsidiaries ("Group") for the financial year ending 31 December 2017.

5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the Proposed Subscription.

This announcement is dated 28 February 2017.