

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

### PROPOSED DISPOSAL BY SALCON DEVELOPMENT SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF SALCON, OF 80% EQUITY INTEREST IN SALCON DEVELOPMENT (AUSTRALIA) PTY LTD TO FORTUNE QUEST GROUP LTD, A WHOLLY-OWNED SUBSIDIARY OF ECO WORLD INTERNATIONAL BERHAD FOR A DISPOSAL CONSIDERATION OF AUD120,000

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*(Unless otherwise stated, the exchange rate of Australian Dollar (“AUD”) 1.00 : Ringgit Malaysia (“RM”) 3.3408, being the middle rate prevailing at 5.00 p.m. on 7 April 2017, as published by Bank Negara Malaysia (“BNM”), has been applied in this announcement for illustration purposes.)*

#### 1. INTRODUCTION

On behalf of the Board of Directors of Salcon (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that Salcon Development Sdn Bhd (“**SDSB**”), a wholly-owned subsidiary of Salcon had on 10 April 2017 entered into a conditional share sale and purchase agreement with Fortune Quest Group Ltd (“**Fortune Quest**”), a wholly-owned subsidiary of Eco World International Berhad (“**EWI**”) (“**SPA**”), for the proposed disposal of 80% equity interest in Salcon Development (Australia) Pty Ltd (“**Salcon Australia**”) for a disposal consideration of AUD120,000 (equivalent to RM400,896) (“**Disposal Consideration**”) (“**Proposed Disposal**”).

#### 2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal entails the disposal by SDSB to Fortune Quest of 80% equity interest in Salcon Australia for the Disposal Consideration, subject to the terms and conditions of the SPA, the salient terms of which are set out in Section 2.5 of this announcement. Upon completion of the Proposed Disposal, Salcon Australia will become a 20% associate company of Salcon.

In conjunction with the Proposed Disposal, the following agreements will be entered into upon the completion of the Proposed Disposal:

- (i) a shareholders’ agreement between SDSB, Fortune Quest and Salcon Australia, which sets out, among others, the obligations of SDSB and Fortune Quest as shareholders of Salcon Australia (“**Salcon Australia Shareholders**”), the business for the development of the Subject Property (as defined below in Section 2.1 of this announcement) and their shareholdings in Salcon Australia (“**Shareholders’ Agreement**”); and
- (ii) a development management agreement between Salcon Australia and Eco World Sydney Development Pty Ltd (“**EW Sydney**”), a wholly-owned subsidiary of Fortune Quest, whereby Salcon Australia as the landowner of the Subject Property (as defined below in Section 2.1 of this announcement) will appoint EW Sydney as the development manager for the initial planning, development, coordination and marketing of the Claremont Street Project (as defined below in Section 2.2 of this announcement) (“**Development Management Agreement**”).

The salient terms of the SPA are set out in Section 2.5 of this announcement. The salient terms of the final form of the Shareholders’ Agreement and Development Management Agreement (which are annexed to the SPA) are set out in Section 2.6 and Section 2.7 of this announcement, respectively.

Pursuant to the Development Management Agreement, EW Sydney will be appointed as the development manager for the Claremont Street Project (“**Development Manager**”) after the completion of the Proposed Disposal. The services to be provided by EW Sydney (“**Services**”) and the fees for the Services (“**Fee**”) can be categorised as follows:

<u>Scope of Services</u>	<u>Fees</u>
A. Project planning & control, conceptual design & planning and project implementation & administration	Project Construction Fee:  $\text{Monthly payment} = A \times B$ Where: A = Agreed rate of 3.00%; B = Contract costs based on claims certified by architects and/or engineers of the Claremont Street Project until completion and final accounts (including those incurred/awarded prior to the date of the Development Management Agreement).
B. Coordination of sales, marketing, credit control, customer care, project accounting and general administration	Coordination of Marketing & Administrative Fee:  $\text{Payment}^* = C \times D$ Where: C = Agreed rate of 1.20%; D = Net sale price less discounts and/or rebates given to end-purchasers (including those secured prior to the date of the Development Management Agreement).  Note: * <i>The first 50% of the Marketing &amp; Administrative Fee is payable upon the exchange of contracts of sales with the end-purchasers. The remaining 50% is payable upon settlement of the sale price by the end-purchasers.</i>

Pending the Development Management Agreement being entered into upon completion of the Proposed Disposal, pro-tem personnel nominated by Fortune Quest shall assist Salcon Australia in the strategic planning, development, sales and marketing of the Claremont Street Project including coordination of activities necessary for planning, early stage implementation and launching for sale of the Claremont Street Project (“**Pro-Tem Personnel**”). On completion or termination of the SPA, the Pro-Tem Personnel shall cease all its functions, duties and responsibilities, and their costs will be borne by Fortune Quest (if the Proposed Disposal is completed) and SDSB (if the Proposed Disposal is terminated).

## 2.1 Information on Salcon Australia

Salcon Australia was incorporated in Australia on 27 June 2016 under the Australia Corporations Act 2001 as a proprietary limited company with an issued share capital of AUD100.00 comprising of 100 fully paid ordinary shares. Salcon Australia is a wholly-owned subsidiary of SDSB, which in turn is a wholly-owned subsidiary of Salcon. As at 3 April 2017, being the latest practicable date prior to this announcement (“**LPD**”), the directors of Salcon Australia are Mr. Saw Kee Guan, Mr. Law Woo Hock and Dato’ Leong Kok Wah.

The principal activity of Salcon Australia is property development. On 29 June 2016, Salcon Australia entered into a contract of sale with K. & E. Rogers Pty Ltd (“**KE Rogers**”) (“**Contract of Sale**”) to acquire all that land (including all improvements and fixtures) located at 16-22 Claremont Street, South Yarra, Victoria, 3141 Australia together with all chattels, plant and equipment owned by KE Rogers (“**Subject Property**”) (“**Acquisition**”). The Acquisition is subject to the easements and lease specified in the Contract of Sale but is otherwise free from encumbrances for a total cash consideration of AUD37,880,000. The Acquisition was completed on 29 March 2017.

## 2.2 Information on the Subject Property

### Existing

There is an existing building located on the Subject Property which is a converted warehouse commercial office building ("**Building**"). The Building was constructed in the 1950s and has been periodically renovated and refurbished with an office conversion in the 1990s. The Building comprises a basement level with two storeys above.

The estimated total gross building area of the Building is 2,566 square metres and the estimated net lettable area is 2,277 square metres. Currently, there is only one tenant leasing (i) an area of approximately 1,092 square metres of the first floor of the Building; and (ii) an area of about 217 square metres being an open space car park within the Subject Property, for a lease term of 1 year from 1 July 2016 to 30 June 2017. The aggregate rental for the lease is AUD296,380 per annum plus good and services tax ("**GST**").

### Proposed Development

The Subject Property is proposed to be developed into a residential-led mixed use development project consisting of a 27-storey building with 268 apartments, basement car park with commercial and retail spaces ("**Claremont Street Project**").

The Claremont Street Project is targeted to be launched in the second quarter of 2017 and is expected to be completed over the next 3 to 4 years. The gross development value of Claremont Street Project is estimated to be approximately AUD218 million (equivalent to RM728.3 million) (exclusive of GST). Salcon Australia is currently in the initial stages of development planning and is unable to ascertain the expected development cost required for the Proposed Development at this juncture.

Further details of the Subject Property / Claremont Street Project are as follows:

Land description	<p>The Subject Property comprises 3 contiguous titles occupying a regular shaped site situated to the eastern side of Claremont Street and western side of Daly Street</p> <p>Details of the certificates of title are as follows:</p> <table border="1"> <thead> <tr> <th>Certificate of Title</th> <th>Lot No.</th> <th>Plan of subdivision</th> </tr> </thead> <tbody> <tr> <td>Volume 7832 Folio 143</td> <td>Lot 31</td> <td>004308</td> </tr> <tr> <td>Volume 7832 Folio 144</td> <td>Lot 31</td> <td>004308</td> </tr> <tr> <td>Volume 8572 Folio 530</td> <td>Lot 28, 29, 30</td> <td>004308</td> </tr> </tbody> </table>			Certificate of Title	Lot No.	Plan of subdivision	Volume 7832 Folio 143	Lot 31	004308	Volume 7832 Folio 144	Lot 31	004308	Volume 8572 Folio 530	Lot 28, 29, 30	004308
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Postal address	16-22 Claremont Street, South Yarra, Victoria, 3141 Australia														
Land area (approximately)	2,128 square metres														
Tenure	Freehold														
Category of land use/council zoning	<p>Commercial 1 Zone – Schedule 1</p> <p>The purpose of the Commercial 1 Zone is to create vibrant mixed use commercial centres for retail, office, business, entertainment and community uses and to provide for uses at densities complementary to the role and scale of the commercial centre</p>														
Existing use	Carpark and office with estimated total gross building area of 2,566 square metres and the estimated net lettable area of 2,277 square metres. As at 10 March 2017, the occupancy rate is 57.5% or 1,309 square metres														

Proposed use	Claremont Street Project
Expected commencement and completion dates	Commencement expected in the first half of 2018 and is estimated to be completed by the second half of 2020
Gross development value	Approximately AUD218 million (exclusive of GST)
Current stage or percentage of completion	Not applicable as the construction of the Claremont Street Project has not commenced as at the date of this announcement
Status of approval	Planning permit no. 0541/15 has been issued by the Council of the City of Stonnington (" <b>Planning Permit</b> "). Final plans have been submitted to the Council of the City of Stonnington for endorsement, together with a request for minor amendments via secondary consent pursuant to the amendment to the Planning Permit. Such endorsement and secondary consent are pending from the Council of the City of Stonnington
Net book value	AUD40,334,595, based on latest unaudited accounts of Salcon Australia for the financial period ended (" <b>FPE</b> ") 31 March 2017
Market value	Salcon will appoint an independent valuer to conduct valuation on the Subject Property for the purpose of the Proposed Disposal in accordance to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (" <b>Bursa Securities</b> ") (" <b>Listing Requirements</b> ")
Encumbrances	The Subject Property is mortgaged to United Overseas Bank Limited, Sydney Branch (" <b>Financier</b> ")

### 2.3 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration, which is payable in cash was arrived at following negotiations between SDSB and Fortune Quest on a willing-buyer willing-seller basis after taking into consideration the unaudited net liabilities of Salcon Australia as at 31 March 2017 of AUD831,236.

The Board is of the view that the Disposal Consideration is fair and reasonable after taking into consideration the following:

- (i) the unaudited net liabilities of Salcon Australia of AUD831,236 as at 31 March 2017, based on the latest unaudited accounts of Salcon Australia for the FPE 31 March 2017. As Salcon Australia had been incorporated for less than a year, no audited financial statement has been prepared as at the LPD;
- (ii) the advances from Salcon to Salcon Australia of AUD17,642,740.51 as at 31 March 2017 ("**Advances**") and the repayment to Salcon of AUD14,114,192.41, being a sum equivalent to 80% of the Advances ("**Repayment Sum**"). Pursuant to the final form of the Shareholders' Agreement (as disclosed in Section 2.6 of this announcement), the Repayment Sum will also include 80% of any further sum advanced by Salcon to Salcon Australia before the Unconditional Date (as defined below in Section 2.5 (iii) of this announcement);
- (iii) SDSB's original purchase consideration of AUD37,880,000 to acquire the Subject Property ("**Land Cost**") from KE Rogers. The Acquisition was completed on 29 March 2017. The difference between the Land Cost and the net book value of the Subject Property of AUD40,334,595 as at 31 March 2017 is mainly due to land transfer duty incurred in relation to the Acquisition; and
- (iv) The valuation carried out by Knight Frank Valuations - Victoria, Australia on the Subject Property for the mortgage land banking purpose. Based on the said valuation report dated 10 March 2017, the market value of the Subject Property is AUD37,880,000.

## **2.4 Information on the Salcon Australia Shareholders and Development Manager**

### **(i) Information on SDSB**

SDSB was incorporated in Malaysia on 3 November 2006 under the Companies Act, 1965 and registered under the Companies Act, 2016 (“**Act**”) as a private limited company. The issued share capital of SDSB is RM1,000,000 comprising 1,000,000 ordinary shares.

SDSB is a wholly-owned subsidiary of Salcon and its principal activity is investment holding and contracting for property development project. As at the LPD, the directors of SDSB are Tan Sri Dato’ Tee Tiam Lee, Dato’ Leong Kok Wah, Mr. Law Woo Hock and Mr. Jamiluddin Amini bin Sulaiman.

### **(ii) Information on Fortune Quest**

Fortune Quest was incorporated in the British Virgin Islands (“**BVI**”) on 8 August 2013 under the BVI Business Companies Act, 2004 as a BVI business company limited by shares. Fortune Quest is authorised to issue up to 50,000 no par value shares of a single class and it has issued share capital of United States Dollar (“**USD**”) 1 comprising 1 fully paid ordinary share.

Fortune Quest is a wholly-owned subsidiary of EWI and its principal activity is investment holding. As at the LPD, the directors of Fortune Quest are Dato’ Teow Leong Seng and Mr. Yap Foo Leong.

### **(iii) Information on EW Sydney**

EW Sydney was incorporated in Australia on 29 April 2014 under the Australia Corporations Act 2001 as a private limited company with an issued share capital of AUD1 comprising 1 fully paid ordinary share.

EW Sydney is a wholly-owned subsidiary of Fortune Quest, which in turn is the wholly-owned subsidiary of EWI. The principal activity of EW Sydney is property development. As at the LPD, the directors of EW Sydney are Dato’ Teow Leong Seng and Mr. Yap Foo Leong.

## **2.5 Salient terms of the SPA**

The salient terms of the SPA are summarised below:-

### **(i) Disposal Consideration and method of payment**

The Disposal Consideration is AUD120,000.

SDSB and Fortune Quest acknowledge that the market value of the Subject Property may fluctuate in the period between the date of SPA and the Completion Date (as defined below in Section 2.5 (iii) of this announcement) but the Disposal Consideration shall remain fixed unless varied in writing and signed by both parties.

The Disposal Consideration is payable by Fortune Quest to SDSB on the Completion Date (as disclosed in Section 2.5 (iii) of this announcement) in same day cleared funds in the manner specified by SDSB to Fortune Quest and free of any deduction, withholding, set-off or counterclaim.

(ii) **Conditions precedent**

Completion of the Proposed Disposal is conditional on the satisfaction or waiver (as the case may be) of the following conditions precedent:

(a) Shareholders' approval

SDSB obtaining the approval of the shareholders of Salcon in a general meeting for:

(aa) the Proposed Disposal; and

(bb) the Development Management Agreement for appointment of the Development Manager.

(b) Finance approval

SDSB obtaining, on terms reasonably acceptable to Fortune Quest, consent from the Financier in relation to the Proposed Disposal.

(c) Due diligence

Fortune Quest, being reasonably satisfied with the results of its due diligence enquiries in respect of Salcon Australia including, but not limited to, the financial, contractual, trading and taxation position of Salcon Australia, which enquiries must be completed within 2 months from the date of SPA.

(d) Secondary consent

Salcon Australia obtaining the consent from the Council of the City of Stonnington for amendment to the Planning Permit pursuant to a letter from SJB Planning Pty Ltd (ACN 007 427 554) to the Statutory Planning Division of the City of Stonnington dated 24 October 2016.

(Collectively, referred to as "**Conditions Precedent**").

SDSB and Fortune Quest must take all necessary actions and use reasonable endeavours: (i) to satisfy the Conditions Precedent; or (ii) to the extent permitted under the SPA, to waive the requirement to meet such Conditions Precedent; before 5.00pm on the date falling 4 months from the date of the SPA or such other date as SDSB and Fortune Quest may mutually agree in writing.

(iii) **Completion**

The completion of the Proposed Disposal shall take place on a date to be notified in writing by Fortune Quest to SDSB ("**Completion Notice**") which shall not be earlier than 5 business days from the delivery of the Completion Notice ("**Completion Date**"). The completion must take place within a period of 3 months from the date the Conditions Precedents are met or waived (as the case may be) ("**Unconditional Date**") or such longer period as SDSB and Fortune Quest may mutually agree in writing ("**Completion Period**").

For avoidance of doubt, "**Business Day(s)**" refers to a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in Selangor and Kuala Lumpur, Malaysia and Melbourne, Victoria.

In the event that Fortune Quest does not notify SDSB of the Completion Date, the Completion Date shall be the last Business Day of the Completion Period.

(iv) **Fortune Quest's completion obligation**

Against receipt of all the documents and performance from/by SDSB on the Completion Date, Fortune Quest must:

- (a) pay the Disposal Consideration to SDSB;
- (b) deliver its executed Shareholders' Agreement to SDSB; and
- (c) deliver the Development Management Agreement executed by EW Sydney to Salcon Australia.

In addition, Fortune Quest shall, on behalf of Salcon Australia, repay to SDSB a sum equivalent to 80% of the Advances (as defined below in Section 2.5 (v) of this announcement) in AUD.

(v) **Advances**

- (a) Advances

As at 31 March 2017, SDSB has advanced to Salcon Australia a sum of AUD17,642,740.51 and may, at any time before the Unconditional Date with prior written notice to Fortune Quest, advance further amount to Salcon Australia for the purpose of carrying on of Salcon Australia's business (collectively, "**Advances**").

- (b) Repayment of Advances

Not later than 5 Business Days after Unconditional Date, SDSB shall deliver a letter addressed to Fortune Quest ("**SDSB's Letter**"), confirming the total outstanding amount of the Advances in AUD due and owing by Salcon Australia to SDSB as at the Unconditional Date. SDSB shall attach to SDSB's Letter, Salcon Australia's management accounts as at the Unconditional Date evidencing the total outstanding amount of the Advances as of such date. SDSB undertakes with Fortune Quest that it shall not make any further shareholder's advances to Salcon Australia with effect from the Unconditional Date. On the Completion Date, Fortune Quest shall for and on behalf of Salcon Australia repay the Repayment Sum in AUD, as may be indicated by SDSB in SDSB's Letter.

- (c) Discharge and satisfaction of Seller's Advances

Upon the Repayment Sum being acknowledged in writing by SDSB, the Repayment Sum shall be deemed discharged and satisfied in full and unless otherwise agreed by SDSB and Fortune Quest, the Repayment Sum and the balance of the Advances shall be capitalised by Salcon Australia into Salcon Australia Shares.

(vi) **Termination**

- (a) SDSB's default

Without prejudice to any other rights or remedies which may be available to Fortune Quest under the SPA or at law or in equity, Fortune Quest shall be entitled to terminate the SPA by written notice, whereupon SDSB shall within 5 Business Days of such notice, refund to Fortune Quest all moneys, if any, paid by Fortune Quest under the SPA. Thereafter, the SPA shall be null and void and be of no further force or effect and neither party shall have any further claim or claims against the other save and except for the cost incurred or to be incurred by the Pro-Tem Personnel nominated by Fortune Quest to assist Salcon Australia in the strategic planning, development, sales and marketing of the Claremont Street Project including coordination of activities necessary for planning, early stage implementation and launching for sale of the Claremont Street Project and antecedent breach in relation to any rights accrued prior to such notice.

- (b) Fortune Quest's default

Without prejudice to any other rights or remedies which may be available to SDSB under the SPA or at law or in equity, SDSB shall be entitled to terminate the SPA by written notice, whereupon SDSB shall within 5 Business Days of such notice, refund to Fortune Quest all moneys, if any, paid by Fortune Quest under the SPA and SDSB shall be entitled to dispose of or deal with the 80% equity interest in Salcon Australia at its absolute discretion. Thereafter, the SPA shall be null and void and be of no further force or effect and neither party shall have any further claim or claims against the other save and except for any costs incurred or to be incurred by the Pro-Tem Personnel and antecedent breach in relation to any rights accrued prior to such notice.

(vii) **Corporate guarantee**

- (a) SDSB and Fortune Quest acknowledge that the land loan obtained by Salcon Australia from the Financier ("**Land Loan**") in relation the Acquisition is presently secured by, *inter alia*, a corporate guarantee by Salcon ("**Salcon Corporate Guarantee**") and agree to procure the release of the Salcon Corporate Guarantee as expeditiously as possible and in any event no later than 6 months from the Completion Date.
- (b) SDSB and Fortune Quest agree that following the Completion Date and prior to the release of the Salcon Corporate Guarantee, Fortune Quest shall, and shall procure its holding company to at all times indemnify SDSB and/or Salcon against any actions, proceedings and claims arising against SDSB and/or Salcon in respect of the Salcon Corporate Guarantee.

## 2.6 **Salient terms of the Shareholders' Agreement**

The salient terms of the final form of the Shareholders' Agreement are summarised below:-

(i) **Termination**

The Shareholders' Agreement will terminate:

- (a) when, as a result of transfers of shares of Salcon Australia ("**Salcon Australia Shares**") made in accordance with Shareholders' Agreement, only one party remains as legal and beneficial holder of the issued share capital in Salcon Australia;
- (b) when a resolution is passed by Salcon Australia Shareholders or Salcon Australia's creditors, or an order is made by a court or other competent body, that will lead to Salcon Australia being wound up and its assets being distributed among Salcon Australia 's creditors, the Salcon Australia Shareholders and/or other contributors; or
- (c) on the date agreed by all Salcon Australia Shareholders in writing.

(ii) **Directors**

- (a) Salcon Australia must have a minimum of 1 director and a maximum of 5 directors appointed to its board of director ("**Salcon Australia Board**") at any time.
- (b) Each of the Salcon Australia Shareholders is entitled to appoint one (1) director to the Salcon Australia Board for every 20% of the Salcon Australia Shares it holds ("**Nominating Shareholder**").
- (c) For as long as Fortune Quest holds more than 50% of the Salcon Australia Shares, the chairman of the Salcon Australia Board shall be appointed by Fortune Quest from amongst the directors nominated by Fortune Quest. The chairman will not have a casting vote in addition to any vote as a director.



(iii) **Voting**

Each director has 1 vote at the Salcon Australia Board meetings.

(iv) **Quorum requirements**

- (a) The quorum necessary before a Salcon Australia Board meeting can take place is a majority of the directors appointed to the Salcon Australia Board (provided that at least one director from each Nominating Shareholder is present).
- (b) In the event that there is no quorum for any board meeting, such meeting shall be postponed to be convened 5 Business Days later at the same place and at the same time, and at least 3 Business Days' notice shall be given to each director. The quorum necessary before an adjourned meeting can take place is majority of the directors appointed to the Salcon Australia Board. In the event that there is no quorum at such adjourned board meeting, the meeting shall be dissolved.

(v) **Decisions of the Board**

All decisions of the Salcon Australia Board, or any matter requiring the vote, resolution, consent or approval of the Salcon Australia Board, must be approved by simple majority of votes cast by those directors who are present at the Salcon Australia Board meeting and who are entitled, at the time the decision is made, to vote on the decision or matter.

(vi) **Reserved matters**

The following matters can only be effected by a resolution of the Salcon Australia Board in respect of which at least one director nominated by Fortune Quest and at least one director nominated by SDSB shall have voted in favour of such resolution:

- (a) change in the business of Salcon Australia;
- (b) change in maximum number of directors;
- (c) changes to the constitution or constituent documents;
- (d) winding-up or reconstruction of Salcon Australia;
- (e) change in share capital;
- (f) acquisition or any subsequent winding-up or sale of subsidiary or associated company;
- (g) investment, partnership or joint venture or legally binding arrangement which the payment obligation exceeding AUD100,000 other than in the ordinary course of business;
- (h) granting loan, guarantee or any financial assistance to third party;
- (i) entering into contracts with related party of the Salcon Australia Shareholders;
- (j) acceptance or incurrence of any credit facilities or borrowings granted by any financial institution or third-party and the creation of security over Salcon Australia' assets other than in the ordinary course of business;
- (k) declaration or payment of any dividend or the making of any distribution or return of capital;
- (l) sale or disposal of assets of Salcon Australia other than in the ordinary course of business; and
- (m) litigation, claims, arbitration proceedings involving Salcon Australia which exceeds AUD100,000.

(vii) **First right of refusal and sale to third party**

- (a) Where one of the Salcon Australia Shareholder ("**Selling Shareholders**") proposes to transfer its Salcon Australia Shares, the other Salcon Australia Shareholder ("**Other Shareholders**") will have a first right of refusal to acquire Salcon Australia Shares that the Selling Shareholder wishes to transfer before Salcon Australia Shares can be sold to a third party purchaser ("**Third Party Purchaser**") at a price and on terms no more favourable than the terms offered to the Other Shareholders.
- (a) Any transfer of the Salcon Australia Shares and advances by the Selling Shareholder to a Third Party Purchaser will be conditional on:
  - (aa) the Third Party Purchaser entering into a deed of accession under which it becomes a party to the Shareholders' Agreement; and
  - (bb) the Third Party Purchaser complying with all other requirements that the Salcon Australia Board may reasonably impose in connection with the transfer of the Salcon Australia Shares and advances.

(viii) **Events of default**

If a Salcon Australia Shareholder ("**Defaulting Party**"):

- (a) commit any material breach of its obligations under the Shareholders' Agreement and shall fail to remedy such breach within 30 days from the service of any written notice by the other Shareholders complaining of such breach; or
- (b) subject to an insolvency event; or
- (c) sells, transfers or otherwise disposes of its legal and/or beneficial interest in and/or control of any shares in Salcon Australia to any person otherwise than in accordance with the provisions of the Shareholders' Agreement;

then in any such event the other Shareholder ("**Innocent Party**") shall, without prejudice to such other rights and remedies as it may have, and at its option, be entitled to:

- (A) give notice in writing ("**Default Notice**") to the Defaulting Party requiring the Defaulting Party either:
  - (aa) to purchase all of the Innocent Party's Salcon Australia Shares and its advances at 110% of the value of such advances and the net tangible asset value of such shares, or
  - (ba) to sell all of the Defaulting Party's Salcon Australia Shares and its advances to the Innocent Party at 90% of the value of such advances and the net tangible asset value of such shares; or
- (B) serve a dissolution notice in writing in respect of Salcon Australia on the Defaulting Party and immediately thereafter both Salcon Australia Shareholders shall, and shall procure Salcon Australia to, where practicable, having regard to the requirements of any relevant authorities, take all such steps as may be necessary to forthwith wind up Salcon Australia voluntarily. Upon the winding up of Salcon Australia, the provisions of the Shareholders Agreement will terminate with immediate effect but without prejudice to any rights and liabilities which shall have accrued or been incurred up to that time, provided that the Defaulting Party shall be entitled to only 90% of its Agreed Proportion (as defined below below in Section 2.6 (ix)(a) of this announcement) of the proceeds or assets to be distributed in cash or in specie to the Salcon Australia Shareholders and the remaining 10% of such proceeds or assets which would otherwise be distributed to the Defaulting Party, shall be distributed to the Innocent Party.

(ix) **External financing and shareholders funding**

- (a) Salcon Australia Shareholders confirm that it is their intention that, whenever practicable, the funding requirements of Salcon Australia will be obtained by Salcon Australia through commercial borrowings from external financiers. If it shall not be possible to obtain such external financing or the effect of such borrowings shall cause the gearing of Salcon Australia to exceed such levels as are prudent, then subject to complying with Section 2.6 (vi) of this announcement and any applicable laws, regulations or requirements of a stock exchange to which Salcon Australia Shareholders or their respective holding companies may be subject to, Salcon Australia Shareholders shall provide the requisite finance by way of shareholder's loans, subscription for ordinary shares and/or subscription for other shares in Salcon Australia ("**Shareholders Funding**") in the agreed proportion between Salcon Australia Shareholders ("**Agreed Proportion**"). If required in connection with the external financing, Salcon Australia Shareholders shall, subject to complying with any applicable laws, regulations or requirements of a stock exchange to which Salcon Australia Shareholders or their respective holding companies may be subject to, provide, or cause their respective holding companies, to provide corporate guarantee or any security or other form of credit support whatsoever in the Agreed Proportion but Salcon Australia shall not require any of its directors to provide any personal guarantee.

For avoidance of doubt, "**Agreed Proportion**" means 80% for Fortune Quest and 20% for SDSB, or subject to and in accordance with the provisions of the Shareholders' Agreement, such other adjusted proportion as shall reflect the shareholding of the Salcon Australia Shareholders from time to time in Salcon Australia.

- (b) Subject to complying with any applicable laws, regulations or requirements of a stock exchange to which Salcon Australia Shareholders or their respective holding companies may be subject to, all Shareholders Funding shall:
- (aa) (in the event that Shareholders Funding is provided by way shareholders' loan) accrue interest at a rate to be agreed between the Salcon Australia Shareholders and failing such agreement shall be based on the prevailing commercial borrowing rate for overdraft loans of more than \$100,000 as charged by Westpac Banking Corporation from time to time; and
- (bb) (in the event that the Shareholders Funding is provided by way of subscription for preference shares in Salcon Australia) have a preferential dividend at such rate and payable at such times as Salcon Australia Shareholders and Salcon Australia may reasonably agree prior to the issuance of such preference shares;

and the repayment of such Shareholders Funding or any redemption, buyback or reduction of capital as a return of Shareholders Funding shall be subject to any requirements of the external financiers and subject to any laws, rules, regulations, directives or requirements of relevant authorities.

(x) **Requisite Share Capital**

- (a) The share capital of Salcon Australia may be increased from time to time to a level and within such period of time as shall be required by the relevant authorities and/or the external financiers ("**Requisite Share Capital**"), and subject to Salcon Australia issuing a notice to the Salcon Australia Shareholders in respect of the proposal to increase the capital to the Requisite Share Capital ("**Capital Call Notice**"), the Salcon Australia Shareholders shall subscribe and pay in full for such Salcon Australia Shares in their Agreed Proportion within the requisite period set out in the Capital Call Notice.

- (b) If any Salcon Australia Shareholder is unable or fails to fund its Agreed Proportion of the Requisite Share Capital (“**Non-Paying Shareholder**”) within the period imposed by Salcon Australia in the Capital Call Notice then the other Salcon Australia Shareholder who has made payment for its Agreed Proportion of the Requisite Share Capital (“**Paying Shareholder**”) may, but shall not be obliged to, and without prejudice to any of the Paying Shareholder’s rights and remedies under the Shareholders Agreement, subscribe for all of the remaining unpaid portion for the Requisite Share Capital in excess of its Agreed Proportion (“**Unpaid Portion**”). Upon payment of the Unpaid Portion by the Paying Shareholder, Salcon Australia shall issue to the Paying Shareholder such number of Salcon Australia Shares that the Non-Paying Shareholder would otherwise have been entitled to.

## **2.7 Salient terms of the Development Management Agreement**

The salient terms of the final form of the Development Management Agreement are summarised below:-

### **(i) Appointment**

EW Sydney is to be appointed the Development Manager for the Fees and other charges in the manner set out in Section 2.1 of this announcement to be paid by Salcon Australia. The Services are as set out in Section 2.1 of this announcement. The scope of the Services may be varied and modified subject to mutual agreement of Salcon Australia and EW Sydney.

For the avoidance of doubt, the Services shall not in any way require the Development Manager to act as an estate agent or agent as defined in the Australia Estate Agents Act 1980.

### **(ii) Reporting and authority of Development Manager**

The Development Manager shall, at each Salcon Australia Board meeting, report to the Salcon Australia Board on the progress of the Claremont Street Project. The Development Manager shall ensure that the Claremont Street Project is implemented and carried out in accordance with the proposed business plan and budget (“**Approved Business Plan and Budget**”) which has been approved by the Salcon Australia Board and accepted by Salcon Australia. The Development Manager shall have the authority and discretion to deal with all matters under the Development Manager’s scope of services and works as set out in the Development Management Agreement provided the Development Manager:-

- (a) observes and does not exceed the approved budgets in the Approved Business Plan and Budget or the limits of authority of the Development Manager for the performance of the Services which shall be within the approval limits as may be determined or varied by the Salcon Australia Board from time to time, as the case may be; and
- (b) observes and performs its duties and obligations under the Development Management Agreement.

### **(iii) Term of Appointment**

The appointment of the Development Manager shall commence on the date of the Development Management Agreement (which is expected to be the completion of the Proposed Disposal) and shall terminate on the expiry of the period of 6 months from the issuance of the occupation certificate for the Claremont Street Project unless earlier terminated by Salcon Australia or EW Sydney in accordance with Section 2.7 (iv) of this announcement.

(iv) **Termination**

The Development Management Agreement may be terminated by Salcon Australia or EW Sydney by written notice to the other upon the occurrence of any of the following events:

- (a) if Salcon Australia or EW Sydney materially breaches any of its representations, warranties, covenants or undertakings under the Development Management Agreement and such breach is not rectified or remedied by the defaulting party within 60 days from the date of written notice from the innocent party requiring the defaulting party to remedy the breach or such longer period as Salcon Australia or EW Sydney may mutually agree having regard to the nature of the breach;
- (b) if the SPA and/or the Shareholders' Agreement is terminated in accordance with the provisions contained in the respective agreements;
- (c) in the event of any winding-up proceedings being instituted against Salcon Australia or EW Sydney or any court order or resolution for the winding up of Salcon Australia or EW Sydney is granted, or upon the appointment of any receiver, administrator, trustee, nominee, supervisor or judicial manager over any part of the undertaking or assets of Salcon Australia or EW Sydney; or
- (d) if the Development Manager ceases to be a subsidiary of EWI.

**2.8 Original cost and date of investment**

The original cost and date of investment in Salcon Australia by SDSB are set out below:

<b>Date of investment</b>	<b>Cost of investment (AUD)</b>
27 June 2016	<sup>(1)</sup> 80

Note:

- (1) Based on the 80% equity interest in Salcon Australia to be disposed.

**2.9 Source of funding**

Pursuant to the final form of the Shareholders' Agreement (as disclosed in Section 2.6 of this announcement), the development cost of Claremont Street Project is expected to be funded from bank borrowings to be raised by Salcon Australia. If the development cost is funded by issuance of new ordinary shares and/or other shares in Salcon Australia, it will be based on the Salcon Australia Shareholders' proportionate shareholdings in Salcon Australia as follows:

<b>Shareholders</b>	<b>Percentage shareholdings after the completion of the Proposed Disposal</b>
SDSB	20%
Fortune Quest	80%

The proportion of development cost which will be financed via bank borrowings has yet to be determined as at this juncture.

**2.10 Liabilities to be assumed**

Other than the Repayment Sum and the corporate guarantee(s) given for an existing loan and/or future bank borrowings to be secured, there are no other liabilities, including contingent liabilities and guarantees to be assumed by Fortune Quest pursuant to the Proposed Disposal.

### **3. RATIONALE FOR THE PROPOSED DISPOSAL**

In 2014, Salcon Group had diversified its principal activities to include property development. The Proposed Disposal is intended to create an 80:20 shareholding structure between Fortune Quest and SDSB respectively as the Salcon Australia Shareholders. The Proposed Disposal will allow Salcon to unlock the value of its investment in Salcon Australia and provide greater financial strength and flexibility to Salcon's group of companies ("**Salcon Group**" or "**the Group**") to pursue future potential acquisitions and/or investment opportunities.

EWI is an international property developer that focuses on developing real estate assets into high quality residential-led, mixed-use developments in mature markets with growth potential and favourable macroeconomic conditions such as the United Kingdom and Australia. Currently, EWI's group of companies ("**EWI Group**") has four on-going property development projects, of which 3 projects are in London, United Kingdom and 1 project is in Sydney, Australia.

(Source: EWI's Prospectus dated 9 March 2017)

The Claremont Street Project will represent an opportunity for Salcon Group to gain a foothold in the Australia's property market. As the Salcon Group is new in the property development industry in Australia, the Proposed Disposal was entered into to tap the reputation, strength and experience of EWI Group in the international property market, which is led by an experienced management team.

The appointment of EW Sydney as the Development Manager will allow them to control and monitor the quality of the entire development of Claremont Street Project from planning until completion. The Board believes that with their extensive experience, the collaboration with EW Sydney will contribute to the successful completion of the Claremont Street Project.

After considering the above, the Board is of the view that the Proposed Disposal represents an attractive opportunity for Salcon to monetise the asset and at the same time, maintaining a 20% equity stake in Salcon Australia to continue participating in the future prospects of the Claremont Street Project.

### **4. UTILISATION OF PROCEEDS**

The Company intends to utilise AUD120,000 (equivalent to approximately RM400,896) from the Disposal Consideration to defray the estimated expenses in relation to the Proposed Disposal comprising adviser, lawyers, valuer, regulatory fees and other related costs. The Disposal Consideration is expected to be utilised within 3 months from receipt of the said proceeds.

For information purpose, the Repayment Sum of AUD14,114,192 (equivalent to approximately RM47,152,693) as at 31 March 2017 will be reinvested to the Claremont Street Project and/or any future investments of Salcon, which has yet to be determined at this juncture. In the event shareholders' approval is required pursuant to the Listing Requirements for the future investments of Salcon, such approval will be sought in accordance with the provisions of the Listing Requirements.

### **5. RISK FACTORS**

#### **5.1 Non-completion of the Proposed Disposal**

The completion of the Proposed Disposal is conditional upon the conditions as set out in the SPA being satisfied. The non-fulfillment of the Conditions Precedent may result in the SPA being terminated, hence the objectives and benefits of the Proposed Disposal disclosed in Section 3 of this announcement will not be achieved. There is also no assurance that the Proposed Disposal can be completed within the time period permitted under the SPA.

Nevertheless, the Board will take reasonable steps to ensure that the Conditions Precedent are met within the stipulated timeframe and that every effort is made to obtain all the necessary approvals for the Proposed Disposal.

## 5.2 Risks associated with associate company

The business goals and interests of the Salcon Australia Shareholders may diverge over the course of implementation of the Claremont Street Project. After the completion of the Proposed Disposal, Salcon Group will only hold 20% equity interest in Salcon Australia. Without the majority control in Salcon Australia, Salcon Group will not be able to influence the management, operation and performance of Salcon Australia in a manner which would be favourable to the Salcon Group.

Should any disagreements arise between the Salcon Australia Shareholders, there can be no assurance that these disagreements can be resolved in a manner favourable to Salcon. To add further, these disagreements could significantly affect the financial condition and results of the operations of Salcon Group.

## 6. EFFECTS OF THE PROPOSED DISPOSAL

### 6.1 Share capital and substantial shareholders' shareholding

The Proposed Disposal will not have any effect on the share capital and substantial shareholders' shareholdings of Salcon as the Proposed Disposal do not involve any issuance of new ordinary shares in Salcon ("Salcon Shares").

### 6.2 Net assets ("NA") per share and gearing

Based on the audited consolidated financial statements of the Company for the financial year ended ("FYE") 31 December 2015, the pro forma effects of the Proposed Disposal on the Company's consolidated NA, NA per share and gearing are as follows:

	<b>Audited as at 31 December 2015</b>	<b>Adjusted for the Acquisition<sup>(1)</sup></b>	<b>After the Proposed Disposal</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Share capital	338,847	338,847	338,847
Reserves	195,293	195,287	195,287
Retained earnings	42,608	39,801	41,804
<b>NA attributable to owners of the Company</b>	<b>576,748</b>	<b>573,935</b>	<b>575,938</b>
Number of Salcon Shares in issue ('000)	677,694	677,694	677,694
NA per Salcon Share (RM)	0.85	0.85	0.85
Total borrowings (RM'000)	78,005	161,302	78,005
Gearing ratio (times)	0.14	0.28	0.14

Note:

(1) Adjusted for the incorporation of Salcon Australia on 27 June 2016 and completion of the Acquisition on 29 March 2017.

### 6.3 Earnings and earnings per share ("EPS")

Save for the expected gain arising from the Proposed Disposal, the Proposed Disposal is not expected to have a material effect on the earnings of the Salcon Group for the financial year ending 31 December 2017.

Upon completion of the Proposed Disposal, the Salcon Group is expected to realise a net gain attributable to owners of the Company of approximately RM2.0 million based on the latest audited financial statements of the Salcon Group for the FYE 31 December 2015. The net gain attributable to owners of the Company represents an EPS of approximately 0.30 sen, based on 676,475,000 weighted average numbers of ordinary shares in Salcon.

The Claremont Street Project is expected to contribute positively to the future earnings of the Salcon Group.

## 7. CONDITIONALITY

The Proposed Disposal is not conditional upon any other corporate proposal undertaken by Salcon which has been announced but pending completion.

## 8. APPROVALS REQUIRED

The Proposed Disposal is conditional upon the following approvals being obtained:

- (i) the shareholders of Salcon at the forthcoming extraordinary general meeting (“**EGM**”) to be convened; and
- (ii) any other relevant authorities and/or parties, if required.

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

Dato’ Leong Kok Wah (“**Dato’ Leong**”) is the Executive Director and a major shareholder of Salcon by virtue of his direct shareholdings in Salcon and the shareholdings held by his children (Ms. Leong Yi Ping and Ms. Leong Yi Ming) in Salcon and the shareholdings held by his spouse (Datin Goh Phaik Lynn) in Salcon via Naga Muhibah Sdn Bhd (“**Naga Muhibah**”). He is a major shareholder of EWI by virtue of his direct shareholdings in EWI and his indirect shareholdings in EWI held via Eco World Capital (International) Sdn Bhd, Eco World Development Group Berhad, Sinarmas Harta Sdn Bhd and Syabas Tropikal Sdn Bhd. Hence, he is deemed interested in the Proposed Disposal.

Dato’ Seri (Dr.) Goh Eng Toon (“**Dato’ Seri (Dr.) Goh**”) is the Chairman, Non-Independent Non-Executive Director of Salcon and a major shareholder of Salcon by virtue of his direct shareholdings in Salcon, and the shareholding held by himself and his child (Datin Goh Phaik Lynn) in Salcon via Naga Muhibah. He is also the father in law of Dato’ Leong.

Datin Goh Phaik Lynn is a major shareholder of the Company by virtue of her shareholdings in Naga Muhibah, the shareholdings held by her spouse (Dato’ Leong) and her children (Ms. Leong Yi Ping and Ms. Leong Yi Ming) in Salcon. She is also the spouse of Dato’ Leong and daughter of Dato’ Seri (Dr.) Goh.

Hence, Dato’ Seri (Dr.) Goh and Datin Goh Phaik Lynn are deemed interested in the Proposed Disposal as persons connected to Dato’ Leong, who is the interested party involved in the Proposed Disposal.

Premised on the above, Dato’ Leong and Dato’ Seri (Dr.) Goh (“**Interested Directors**”) have abstained and will continue to abstain from all Board deliberations and voting in respect of the Proposed Disposal.

Further, Dato’ Leong, Dato’ Seri (Dr.) Goh, Datin Goh Phaik Lynn, Ms. Leong Yi Ping, Ms. Leong Yi Ming and Naga Muhibah (“**Interested Shareholders**”) will abstain from voting on the Proposed Disposal at the forthcoming EGM in respect of their direct and indirect shareholdings in Salcon and will also ensure that all persons connected to them will abstain from voting in respect of their direct/or indirect interest, if any, on the resolutions pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Save as disclosed above, 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 Proposed Disposal.



## 10. RELATED PARTY TRANSACTIONS

In view of the interests disclosed in Section 9 of this announcement, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

As at the date of this announcement, there was no other related party transactions transacted with the Interested Directors and Interested Shareholders (including persons connected with them) for the 12 months preceding the date of this announcement.

## 11. PERCENTAGE RATIO

Based on the audited consolidated financial statements of Salcon for the FYE 31 December 2015, the highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 11.65%.

## 12. DIRECTORS' STATEMENT

The Board (save for the Interested Directors who have abstained from deliberating on the Proposed Disposal), after having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of Salcon, fair, reasonable and on normal commercial terms and are not detrimental to the interests of the non-interested shareholders.

## 13. ADVISER

HLIB has been appointed by the Company to act as the Adviser in relation to the Proposed Disposal.

The Proposed Disposal is deemed to be a related party transaction under Paragraph 10.08 of the Listing Requirements. Accordingly, Affin Hwang Investment Bank Berhad has been appointed by the Board (save for Dato' Seri Goh Eng Toon and Dato' Leong Kok Wah) as the independent adviser ("**Independent Adviser**") to undertake the following in relation to the Proposed Disposal:

- (i) comment as to whether the Proposed Disposal is:
  - (a) fair and reasonable so far as the shareholders are concerned; and
  - (b) to the detriment of the non-interested shareholders,and set out the reasons for such opinion, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested shareholders whether they should vote in favour of the Proposed Disposal; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to items (i) and (ii) above.

## 14. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee, having considered all aspects of the Proposed Disposal and the preliminary views of the Independent Adviser, is of the opinion that the Proposed Disposal is:

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

The Audit Committee has sought the preliminary opinion of the Independent Adviser in forming its views in relation to the Proposed Disposal and has concurred with the Independent Adviser's views that the terms and conditions of the Proposed Disposal is fair and reasonable and are not detrimental to the interest of the non-interested shareholders of Salcon.

**15. SUBMISSION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION**

The application in relation to the Proposed Disposal is expected to be submitted to Bursa Securities for clearance within 2 months from the date of this announcement.

The Proposed Disposal is expected to be completed by the second quarter of 2017.

**16. DOCUMENTS FOR INSPECTION**

The SPA will be available for inspection at the registered office of Salcon at 15<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan, during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 10 April 2017.