

**SALCON BERHAD ("SALCON" OR "THE COMPANY")
EXECUTION OF SOLAR POWER PURCHASE AGREEMENTS BETWEEN SATRIA
MEGAJUTA SDN BHD, A 67%-OWNED SUBSIDIARY OF SALCON SER SDN BHD
(FORMERLY KNOWN AS SALCON POWER SDN BHD) WHICH IN TURN IS A 70%-
OWNED SUBSIDIARY OF SALCON, AND HEVEAPAC SDN BHD**

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 Satria Megajuta Sdn Bhd ("**Satria**" or "**Lessee**") had on 7 December 2020 entered into three (3) Solar Power Purchase Agreements ("**SPPA**") with HeveaPac Sdn Bhd ("**HeveaPac**" or "**Consumers**" or "**Related Party**" or "**Lessor**" or "**Premise Owner**") for the sale and purchase of electricity to be generated by the solar generating facilities ("**Net Electrical Output**") to be installed, owned and operated by Satria on the Site (as hereinafter defined) at the premises owned and occupied by Premise Owner, as detailed below:-

Related Party	Nature of Relationship	Location of Premises	SPPA
HeveaPac	HeveaPac is a major shareholder of Satria. HeveaPac holds 33% equity interest in Satria.	P.T. 414, Jalan Tampin, Kawasan Perindustrian Sg. Gadut, KM 11, 71450 Seremban, Negeri Sembilan (" Factory 1 " or " F1 ")	SPPA F1
		P.T. 406, Jalan Tampin, Kawasan Perindustrian Sg. Gadut, KM 11, 71450 Seremban, Negeri Sembilan (" Factory 2 " or " F2 ")	SPPA F2
		P.T. 403, Jalan Tampin, Kawasan Perindustrian Sg. Gadut, KM 11, 71450 Seremban, Negeri Sembilan (" Warehouse " or " WH ")	SPPA WH

Satria and HeveaPac are collectively known as "**Parties**" and individually as "**Party**".

F1, F2 and WH are collectively and individually known as "**Premises**".

SPPA F1, SPPA F2 and SPPA WH are collectively referred to as "**Transaction I**".

Under Transaction I, Satria will design, install, own, operate and maintain Generating Facilities (as hereinafter defined) to be located on the Site (as hereinafter defined) at the Premises to generate and supply solar photovoltaic energy to the Consumer and the Consumer shall purchase from Satria the Net Electricity Output generated by the Generating Facilities and delivered to the Consumer in accordance with the terms and conditions set out in the SPPA.

Generating Facilities means the solar photovoltaic energy generating systems, comprising controls, meters, switches, connections, conduit, wires and other ancillary equipment connected to the energy delivery point, installed, operated and maintained by Satria as a fixture on the Site (as hereinafter defined) for the purposes of generating and supplying electrical power to Consumer under the SPPA, including all improvements, extensions and additions thereto.

Satria has also entered into three (3) lease agreements (“**Lease Agreement**”) with HeveaPac on 7 December 2020 for the lease of the rooftop and such part of the Premises upon which the Generating Facilities and solar energy meters are to be installed and located, including other part(s) of the Premises as may be mutually agreed by the Parties and the additional area in other premises (“**Site**”) (“**Transaction II**”).

2. INFORMATION OF SATRIA

Satria was incorporated on 17 April 2012 as a Malaysian private limited company under the Companies Act 1965. The present issued share capital of Satria is RM1,000,000 comprising 1,000,000 ordinary shares. Satria is primarily involved in the business of investing, building, owning and operating of generation facilities that produce electric energy.

The directors and shareholders of Satria are as follows:

No.	Directors		
1.	Law Woo Hock (Alternate Director: Leong Yi Shen)		
2.	Wong Fuk Aen (Alternate Director: Pung Wei Gin)		
3.	Peh Ju Chai (Alternate Director: Yoong Li Yen)		
No.	Shareholders	No. of Ordinary Shares held	Percentage %
1.	Salcon SER Sdn Bhd	670,000	67%
2.	HeveaPac	330,000	33%
	Total	1,000,000	100%

The following financial information of Satria extracted from the latest Management Account of Satria as at 30 September 2020:-

	RM
Net Loss	7,347
Net Assets	765,420

3. INFORMATION OF HEVEAPAC

HeveaPac was incorporated on 27 March 1997 as a Malaysian private limited company under the Companies Act 1965. The present issued share capital of HeveaPac is RM29,800,000.00 comprising 29,800,000 ordinary shares.

HeveaPac is involved in the manufacturing and trading of ready-to-assemble furniture. HeveaPac currently owns, occupies and carries out its business activities at the Premises.

The directors and shareholders of HeveaPac are as follows:

No.	Directors
1.	Yong Kian Seng @ Yoong Tein Seng
2.	Peh Ju Chai
3.	Yoong Hau Chun
4.	Yoong Li Yen

No.	Shareholder	No. of Ordinary Shares held	Percentage %
1.	Heveaboard Berhad	29,800,000	100%

4. DETAILS OF THE TRANSACTION I AND TRANSACTION II

4.1 Basis of arriving at the consideration and Justification for the consideration

Transaction I

The consideration was derived based on the prevailing Tenaga National Berhad (“TNB”) Gazetted Electricity Tariff with discount rates to be offered by Satria to the Consumer which were mutually agreed between the Parties.

Transaction II

The rental was agreed mutually between the Parties as part of the package of Transaction I.

4.2 Salient terms of the SPPAs

4.2.1 Term

The SPPA shall come into full force and effect on the date on which the SPPA is executed by the Parties and shall expire on the date falling twenty-five (25) years from the date on which the Generating Facilities have achieved Commercial Operation (including such day), unless extended by the Parties in accordance with the terms and conditions of the SPPA.

4.2.1.1 Expiry of the Term

Upon the expiry of the Term and any period extended as per the SPPA, the Consumer shall be entitled to select one of the following options:-

- (i) removal of the Generating Facilities from the Site by Satria at no cost to the Consumer; or
- (ii) exercise the option to purchase the Generating Facilities (“**Option to Purchase**”):-
 - (a) upon the expiry of the Term; or
 - (b) upon the earlier termination of the SPPA due to an event of default by Satria as per the SPPA,

subject to the terms and conditions in the SPPA and the consideration will be determined based on the formula set out in the SPPA at the time HeveaPac exercise its option.

4.2.2 Solar Energy Payment

The Consumer will start to pay for the Net Electrical Output during the Contract Year based on the rate as set out in the SPPA ("**Solar Energy Payment**") from the commercial operation date.

4.2.3 Guaranteed Energy Output

Subject to the terms of the SPPA, Satria shall provide the guaranteed energy output from the Generating Facilities to the Consumer for each contract year, backed by liquidated damages in accordance with the terms and as stipulated under the SPPA.

4.2.4 Suspension and Termination

4.2.4.1 Suspension by Satria

- (a) Without prejudice to Satria's right to terminate the SPPA under item 4.2.4, Satria may suspend the performance of its obligations under the SPPA where:
 - (i) the Consumer fails to make payment for any amount due and payable under the SPPA to Satria (including any late payment interest); or
 - (ii) the Consumer fails to make payment for any amount due and payable to TNB (including any late payment interest) under the terms of SARE (if applicable),

and such failure has not been remedied within thirty (30) days of receipt by the Consumer of a notice from Satria to remedy such failure. If, subsequent to a suspension by Satria, the Consumer has made such payment (including any late payment interest), Satria shall resume the performance of its obligations under the SPPA as soon as reasonably practicable.

SARE means the supply agreement for renewable energy to be entered into between TNB, Satria and the Consumer in relation to the metering, billing and invoicing of the Net Electrical Output supplied to the Consumer under the SPPA.

- (b) During any suspension period pursuant to item 4.2.4.1, the Consumer shall continue to pay to Satria the Solar Energy Payment to be calculated based on the Guaranteed Energy Output.

4.2.4.2 Termination due to Satria Event of Default

- (a) If an event of default by Satria as per the SPPA occurs, the Consumer shall first give a notification to Satria informing Satria of such default with relevant details,

and requiring Satria to rectify such default (if such default is capable of remedy).

- (b) If Satria fails to or is unable to rectify such default to the satisfactory of the Consumer within thirty (30) calendar days or such longer period as may be determined by the Consumer from the date of such notification, the Consumer is entitled, without prejudice to other rights and remedies, to issue a notice of termination to terminate the SPPA immediately.
- (c) The Consumer may exercise its Option to Purchase the Generating Facilities subject to the terms and conditions in the SPPA by issuing a purchase notice to Satria together with such notice of termination. If such Option to Purchase has not been exercised by the Consumer, Satria shall remove the Generating Facilities from the Site in accordance with item 4.2.4.4 below unless otherwise agreed between the Parties.

4.2.4.3 Termination due to Consumer Event of Default

- (a) If an event of default by the Consumer as per the SPPA occurs, Satria shall first give a notification to the Consumer informing the Consumer of such default with relevant details, and requiring the Consumer to rectify such default (if such default is capable of remedy).
- (b) If the Consumer fails to or is unable to rectify such default to the satisfactory of Satria within thirty (30) calendar days or such longer period as may be determined by Satria from the date of such notification, Satria is entitled, without prejudice to other rights and remedies, to issue a notice of termination to terminate the SPPA immediately together with a purchase notice to require the Consumer to purchase the generating facility together with the other Generating Facilities subject to the terms and conditions in the SPPA.

4.2.4.4 Removal of Generating Facilities

- (a) In the event that the Consumer does not exercise the Option to Purchase, Satria shall remove the Generating Facilities from the Site by a mutually convenient date but in any event not later than one hundred eighty (180) calendar days after the date of such expiry or earlier termination of the SPPA unless otherwise mutually agreed between the Parties. If the Generating Facilities are to be removed and the Parties are unable to reach an agreement as to such mutually convenient date, Satria shall be entitled to remove the Generating Facilities on the one hundred eightieths (180th) calendar day after the date of expiry or earlier termination of the SPPA, or if that day is not a business day, the next business day.

4.2.4.5 Other Termination Events

The SPPA shall be terminated immediately on the date on which either one of the SPPA is terminated due to or attributable directly or indirectly to the act and/or omission of the Consumer in default of its obligations under the SPPA respectively and upon such termination, Satria shall issue a purchase notice to the Consumer to require the Consumer to purchase the generating facility together with the other Generating Facilities subject to the terms and conditions as set out in the respective SPPA.

4.3 Salient terms of Lease Agreement

4.3.1. Lease Rental and Term

Satria shall make payment of RM1.00 to HeveaPac ("**Rental**") as rental for the lease of each of the Site for a period of twenty-six (26) years ("**Lease Term**") commencing from 7 December 2020 ("**Commencement Date**") and expiring on 6 December 2046 unless terminated in accordance with the provisions of Lease Agreement.

If the Lessee shall be desirous of extending the Lease Agreement for a further term by such period as may be mutually agreed by the Parties at the expiration of the Lease Term, it shall not later than two (2) years before the date of expiry of the Lease Term give to HeveaPac a written notice of such desire. Upon receipt of such written notice, both Parties shall negotiate in good faith the terms and conditions to be applicable for such extended period.

4.3.2. Use of the Site

The Lessee must only use the Site for the purpose of the installation, operation and maintenance of the Generating Facilities to generate the flow of electricity.

4.3.3. Termination

4.3.3.1 Default by HeveaPac

Provided always and it is hereby expressly agreed between the Parties as follows:-

- a) if any of the foregoing covenants, stipulations, terms and conditions herein contained on the part of HeveaPac to be complied with, shall not be performed or observed; or
- b) if HeveaPac shall go into liquidation whether voluntarily or compulsorily (save for the purpose of permitted amalgamation or reconstruction) or a receiver or manager shall be appointed of its undertakings, property or assets or any part thereof; or

- c) failing to provide the Lessee with access to the Premise; or
- d) failing to comply with any of HeveaPac's covenants; or
- e) abandonment of the Lessor's Premises by HeveaPac; or
- f) the occurrence of such event in respect of HeveaPac under Alternative Arrangements pursuant to Insolvency or Revocation of Governmental Authorisation as set out in the Lease Agreement.

then and in any one or more of such events as mentioned above, the Lessee shall be at liberty at any time thereafter to issue HeveaPac a written notice requiring HeveaPac to rectify the default or breach within thirty (30) days, failing which the Lessee shall be entitled to terminate the Lease Agreement whereupon the Lessee shall vacate the Site in accordance the Lease Agreement and yield up of the same to HeveaPac and the Lessee thereby entitled to:-

- i. remove the Generating Facilities in accordance with Lease Agreement and HeveaPac shall bear all costs and expenses associated with such removal; and
- ii. seek for compensation at court for loss and damages suffered,

but without prejudice to any other rights of action or remedies which may have then accrued to the Lessee in respect of any antecedent breach of any conditions or covenant on the part of HeveaPac herein contained and HeveaPac shall pay all legal cost incurred by the Lessee thereto.

4.3.3.2 Default by Satria

Provided always and it is hereby expressly agreed between the Parties as follows:-

- a) if the Rental or any part thereof shall be unpaid for thirty (30) days after becoming payable (whether formally demanded or not); or
- b) if any of the foregoing covenants, stipulations, terms and conditions herein contained on the part of the Lessee to be complied with, shall not be performed or observed; or
- c) if the Lessee shall go into liquidation whether voluntarily or compulsorily (save for the purpose of permitted amalgamation or reconstruction) or a receiver or manager shall be appointed of its undertakings, property or assets or any part thereof; or

- d) the occurrence of such event in respect of the Lessee under Alternative Arrangements pursuant to Insolvency or Revocation of Governmental Authorisation as set out in the Lease Agreement.

then and in any of such instances, it shall be lawful for HeveaPac or its agent at any time thereafter to terminate Lease Agreement hereby granted by serving on the Lessee a forfeiture notice pursuant to Section 235 of the National Land Code and it is hereby mutually agreed that a reasonable time in which to remedy the breach of the subject matter of the said forfeiture notice is thirty (30) days and on the expiration of the period specified in the said forfeiture notice without the breach complained of having been remedied HeveaPac shall forthwith be at liberty to enforce any one or more of the following remedies:

- i. seek for compensation at court for loss and damages suffered; and
- ii. re-possess upon the Site or any part thereof whereby the Lessee shall remove the Generating Facilities in accordance with the Lease Agreement and thereupon the Lease Agreement shall be absolutely terminated,

but without prejudice to any other rights of action or remedies which may have then accrued to HeveaPac in respect of arrears of rent or other subsisting breach of any conditions or covenant on the part of the Lessee herein contained or and in the event of a re-entry by the Lessee or other legal action taken by the Lessor towards recovery of the arrears of Rental and/or in respect of any breach of any of the provisions herein by the Lessee, the Lessee shall pay all legal cost incurred by HeveaPac thereto.

4.3.3.3 Early Termination

Notwithstanding anything contained in the Lease Agreement to the contrary, the Lessee may terminate the Lease Agreement immediately upon written notice served to HeveaPac in the following circumstances:-

- a) in the instance where HeveaPac is Consumer, and the Consumer exercises the option to purchase the Generating Facilities under the SPPA;
- b) destruction of HeveaPac's Premises or the Generating Facilities through no fault of either party;
- c) damage to the Generating Facilities through no fault of either party to the extent that (in the opinion of the Lessee acting reasonably) the Generating Facility is put beyond economic repair;
- d) theft or loss of part of the Generating Facilities provided that HeveaPac has put in place appropriate measures and securities to safeguard the Premises and the Generating Facilities; and

- e) interruption with the flow of light to the Generating Facilities resulting in the functional capacity of the Generating Facilities being reduced;

and the Lessee thereby shall be entitled to remove the Generating Facilities in accordance with the Lease Agreement.

4.4 Assumption of liabilities

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

Transaction I, Transaction II and Option to Purchase are collectively referred to as “**Transactions**”.

5. EXPECTED GAINS/LOSS TO SALCON GROUP

The Transactions are expected to contribute positively to the earnings and growth of the Group.

6. RATIONALE AND BENEFITS OF THE TRANSACTIONS

The rationale for the Transactions is consistent with Salcon Group’s objective of profit maximisation, increase shareholders’ value, improve business sustainability, expansion and diversification.

The Transactions represent a significant milestone for Salcon Group as part of its strategic initiative to diversify into the renewable energy sector to provide sustainable energy solutions to Multi-National Corporations and local leaders across various industries looking to reduce their electricity costs in their daily business operations.

7. EFFECTS OF THE TRANSACTIONS

7.1 Share capital and substantial shareholders’ shareholding

The Transactions does not have any effect on the share capital and substantial shareholders’ shareholdings of the Company.

7.2 Earnings per share, net assets per share and gearing

The Transactions will not have any effect on the earning per share, net assets per share and gearing of Salcon Group for the financial year ending 31 December 2020.

8. APPROVALS REQUIRED

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

9. ESTIMATED TIMEFRAME FOR COMPLETION

The Generating Facilities are expected to be fully operational by the first half of 2021.

10. PERCENTAGE RATIOS

The highest percentage ratio applicable to the Transactions pursuant to paragraph 10.02(g) and Paragraph 10.12(2) (a) (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 2019 is as follows:-

Transaction	Highest Percentage Ratio
I*	3.44
II	negligible
Option to Purchase	1.35
Disposal of 330,000 ordinary shares, representing 33% of equity interest in Satria, by Salcon SER Sdn Bhd to HeveaPac for a cash consideration of RM248,330.28 which was completed on 4 December 2020	0.06
TOTAL	4.85

* calculated based on the contract period of 25 years

11. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

By virtue of the shareholding of HeveaPac in Satria as disclosed in Section 2 of this announcement, HeveaPac is a related party in the Transactions.

Yoong Li Yen who is a director of HeveaPac is also an alternate director to Pei Ju Chai in Satria as well as a major shareholder of Heveaboard, is a related party in the Transactions.

Peh Ju Chai is the common director of Satria and HeveaPac.

Save as disclosed above, none of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in Transactions.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee, after having considered all aspects of the Transactions, is of the view that they 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.

13. DIRECTORS' STATEMENT

The Board, after having considered all aspects 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.

14. DOCUMENTS FOR INSPECTION

Copies of the SPPA and Lease Agreement 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 three (3) months from the date of this announcement.

This announcement is dated 7 December 2020.