

SALCON BERHAD ("SALCON" OR "THE COMPANY")**SALE OF SMALL OFFICE HOME OFFICES ("SOHO") TO RELATED PARTIES BY AZITIN VENTURE SDN BHD ("AVSB"), A SUBSIDIARY OF SALCON DEVELOPMENT SDN BHD, 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 AVSB had on 20 September 2018 entered into two separate sale and purchase agreements ("SPA(s)") with Dato' Leong Kok Wah ("Dato Leong") and Datin Goh Phaik Lynn ("Datin Goh") ("Purchasers") for the sale of SOHO under completed project Rés 280 to Dato' Leong and Datin Goh as detailed below:-

Transaction	Related Parties	Nature of Relationship	Description of Properties	Selling Price (RM)	#Rebate	*Cash Back	Net Disposal Consideration (RM)
1	Datin Goh	Datin Goh is a major shareholder of SALCON by virtue of her indirect shareholdings in Naga Muhibah Sdn Bhd ("Naga Muhibah") and a person connected to: (i) Dato' Leong, her spouse, a Director of SALCON and AVSB as well as a major shareholder of SALCON; (ii) Dato' Seri (Dr.) Goh Eng Toon ("Dato' Seri (Dr.) Goh"), her father, a Director and major shareholder of SALCON; and (iii) Naga Muhibah, a major shareholder of SALCON.	16-20, Residensi 280, 1KM Lebuhraya Selayang-Kepong, 68100 Batu Caves, Selangor, measuring approximately 890 square feet ("sq. ft.")	546,000.00	10%	12%	432,432.00
2	Dato' Leong	Dato' Leong is a Director of SALCON and AVSB as well as a major shareholder of SALCON. He is also a person connected to Datin Goh, his spouse and a major shareholder of SALCON.	17-20, Residensi 280, 1KM Lebuhraya Selayang-Kepong, 68100 Batu Caves, Selangor, measuring approximately 890 sq. ft.	549,000.00	10%	12%	434,808.00

Rebate applicable to all purchasers.

* Cash back for the Group's (SALCON and its subsidiary companies) all employees and/or shareholders.

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

Dato’ Leong and Datin Goh are collectively referred to as “**Related Parties**”.

2. INFORMATION OF AVSB

AVSB is a private limited company incorporated in Malaysia on 7 December 1999 and having its registered address at 1st Floor, Wisma Mepro, 29 & 31 Jalan Ipoh, 51200 Kuala Lumpur, Wilayah Persekutuan.

The present issued share capital of AVSB is RM1,000,000.00 comprising 1,000,000 ordinary shares. The principal activity of AVSB is property development.

The directors and shareholders of AVSB are as follows:

No.	Directors	
1.	Tan Sri Dato’ Tee Tiam Lee	
2.	Dato’ Leong Kok Wah	
3.	Law Woo Hock	
4.	Png Chiew Chuan	
5.	Tan Ban Seng	
No.	Shareholders	No. of Ordinary Shares held
1.	Salcon Development Sdn Bhd	500,001
2.	Mepro Holdings Berhad	349,999
3.	Wong Yoon Kim	150,000
	Total	1,000,000

3. DETAILS OF RÉ S 280

Rés 280 is a property development project consisting of twenty-one (21) storey commercial building comprising twelve (12) units of two (2) storey shop office with total net saleable area of approximately 40,600 sq ft and two hundred and eighty (280) units of SOHO with a net saleable area of approximately 244,460 sq ft with one (1) level of basement car park together with full recreational facilities and amenities.

The above development project is situated on one (1) parcel of leasehold commercial land with a lease tenure of 99 years (expiring on 13 November 2102) measuring approximately 3,988 square meters located at Bandar Selayang, Daerah Gombak, Negeri Selangor. Rés 280 has been successfully completed in November 2017 and obtained the Certificate of Completion and Compliance on 16 November 2017.

4. DETAILS OF THE TRANSACTIONS I

4.1 Salient terms of the SPAs

The SPAs are based on the terms and conditions prescribed under the Housing Development (Control and Licensing) Act, 1966 (“**HDA Act**”), hence are not more favourable than those generally offered to other purchasers.

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

- (i) 10% of the Selling Price shall be paid upon execution of the SPAs; and
- (ii) The balance 90% of the Selling Price (“Balance Selling Price”) shall be paid on or before the expiry of three (3) months from the date of the SPAs (which 3 months period shall hereinafter be referred as “the Completion Period”).
- (iii) In the event that the Purchasers shall be unable to pay the Balance Selling Price or any part thereof within the Completion Period, AVSB shall automatically grant to the Purchasers an extension of one (1) month commencing from the day following the expiry of the Completion Period (which extended 1 month period for payment shall hereinafter be referred to as “the Extended Completion Period”) to pay the Balance Selling Price or such part thereof as shall be outstanding to AVSB together with an interest at the rate of 10% per annum calculated on daily basis on the Balance Selling Price or such sums as shall remain outstanding and calculated from the day following the expiry of the Completion Period until the date of receipt by AVSB of the balance of the Selling Price in full (“the Late Payment Interest”) which date shall not extend beyond the Extended Completion Period.
- (iv) The date of payment of the Balance Selling Price of the balance thereof shall hereinafter be referred to as “the Completion Date”.
- (v) Late Payment Interest, if any, shall be paid by the Purchasers to AVSB within three (3) business days of the Completion Date.

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

The respective Net Disposal Consideration of the Properties was based on the Selling Price offered to the public as determined by AVSB on terms and conditions which are fair, reasonable and on normal commercial terms and subject to rebate applicable to all purchasers and/or cash back for Group’s employees/shareholders.

4.3 Liabilities to be assumed by the AVSB

There are no liabilities to be assumed by the AVSB arising from the Transactions I.

5 TRANSACTIONS WITH THE RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the following transactions which were entered into between AVSB and LYS and LYM on 29 August 2018 for the sale of SOHO under AVSB's property development project known as Rés 280 located in Selayang, Selangor Darul Ehsan to LYS and LYM, there is no other transaction entered into between the Related Parties (including persons connected to them) and SALCON Group for the preceding 12 months:

Transaction	Related Parties	Nature of Relationship	Description of Properties	Selling Price (RM)	#Rebate	*Cash Back	Net Disposal Consideration (RM)
3	Leong Yi Shen ("LYS") [@]	LYS is a son of: (i) Dato' Leong, a Director of SALCON and AVSB as well as a major shareholder of SALCON; and (ii) Datin Goh, a major shareholder of SALCON.	16-19, Residensi 280, 1KM Lebuhraya Selayang-Kepong, 68100 Batu Caves, Selangor, measuring approximately 845 sq. ft	517,000.00	10%	12%	409,464.00
4	Leong Yi Ming ("LYM") [^]	LYM is a daughter of: (i) Dato' Leong, a Director of SALCON and AVSB as well as a major shareholder of SALCON and; (ii) Datin Goh, a major shareholder of SALCON.	17-19, Residensi 280, 1KM Lebuhraya Selayang-Kepong, 68100 Batu Caves, Selangor, measuring approximately 845 sq. ft.	520,000.00	10%	12%	411,840.00

Rebate applicable to all purchasers.

* Cash back for the Group's (SALCON and its subsidiary companies) all employees and/or shareholders.

[@] LYS is an employee of SALCON.

[^] LYM is a shareholder of SALCON.

Transactions 3 and 4 are collectively referred to as "Transactions II".

Transactions I and II are collectively referred to as "Transactions".

LYS, LYM, Dato' Leong and Datin Goh are collectively referred to as "Related Parties".

6. UTILISATION OF PROCEEDS

The proceeds from the Transactions will be utilised for working capital.

7. EXPECTED GAINS TO SALCON GROUP

The Group is expected to receive a total gain of approximately RM197,000.00 from the Transactions.

8. 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 2018. There is no effect on the share capital and substantial shareholders' shareholdings in SALCON.

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

Dato' Leong is a Director of SALCON and AVSB and a major shareholder of SALCON by virtue of his direct shareholdings in SALCON and the shareholdings held by his children (Leong Yi Ping ("LYP") and LYM) in SALCON and the shareholdings held by his spouse (Datin Goh) in SALCON via Naga Muhibah. He is also the son-in-law of Dato' Seri (Dr.) Goh.

Datin Goh 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 (LYP and LYM) in SALCON. She is also the daughter of Dato' Seri (Dr.) Goh.

Dato' Seri (Dr.) Goh is the Chairman, Non-Independent Non-Executive Director 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) in SALCON via Naga Muhibah. He is also the father-in-law of Dato' Leong.

LYS, LYM and LYP are children of Dato' Leong and Datin Goh.

Hence, Dato' Leong, Datin Goh, LYM, LYS, LYP are deemed interested in the Transactions whilst Dato' Seri (Dr.) Goh is deemed interested in the Transaction 1 (as disclosed in Section 1).

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 Transactions.

10. RATIONALE AND BENEFITS OF THE TRANSACTIONS

The sales of the Properties are in the ordinary course of business of AVSB and will generate revenue and cash flow for AVSB for financial year ending 31 December 2018.

11. 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 2017 are as follows:-

Transactions	Highest Percentage Ratio	Net Disposal Consideration (RM)
I	0.19	867,240.00
II	0.18	821,304.00
TOTAL	0.37	1,688,544.00

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee (save for the interested Director i.e. Dato' Seri (Dr.) Goh who has abstained from deliberating on the Transaction 1), 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.

13. DIRECTORS' STATEMENT

The Board (save for the Interested Directors i.e. Dato' Leong who has abstained from deliberating on the Transactions and Dato' Seri (Dr.) Goh who has abstained from deliberating on the Transaction 1), 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. APPROVALS REQUIRED

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

15. DOCUMENTS FOR INSPECTION

Copies of the SPA(s) 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 20 September 2018.