

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

(I) PROPOSED TRANSFER; AND

(II) PROPOSED AMENDMENTS

(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)

1. INTRODUCTION

On behalf of the Board of Directors of Salutica (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake the following:-

- (i) transfer of the listing of and quotation for the entire issued and paid-up share capital of Salutica from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Proposed Transfer**”); and
- (ii) amendments to the Articles of Association of the Company (“**Proposed Amendments**”).

Further details on the Proposals are set out in the ensuing sections.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Transfer

The Proposed Transfer entails the transfer of the listing of and quotation for the entire issued and paid-up share capital of Salutica from the ACE Market to the Main Market of Bursa Securities. As at 19 September 2016, being the latest practicable date prior to the date of this announcement (“**LPD**”), the issued and paid-up share capital of the Company is RM38,800,000 comprising 388,000,000 ordinary shares of RM0.10 each in Salutica (“**Shares**”).

Salutica and its subsidiary (“**Salutica Group**” or the “**Group**”) have met the requirements for the transfer of its listing to the Main Market of Bursa Securities as set out in the Equity Guidelines issued by the Securities Commission Malaysia (“**SC**”) (“**SC Guidelines**”) and the Main Market Listing Requirements of Bursa Securities (“**MMLR**”), which include, amongst others, the following:-

(i) Profit Requirements

Salutica Group has demonstrated sustainable growth in terms of the scale of business and financial performance in recent years. For each of the financial years ended (“**FYEs**”) 30 June 2013, 2014, 2015 and 2016, Salutica Group recorded revenue of approximately RM78.6 million, RM234.2 million, RM192.5 million and RM241.8 million, respectively, which represents a compound annual growth rate (CAGR) of approximately 45.4%.

Further, Salutica has achieved an audited consolidated profit after taxation attributable to owners of the parent (“**PATMI**”) of approximately RM24.33 million for the most recent FYE 30 June 2016 and an aggregate consolidated PATMI of approximately RM66.44 million for the past three (3) FYEs 30 June 2014, 2015 and 2016. The audited consolidated PATMI of Salutica for the past three (3) FYEs are set out as follows:-

FYE 30 June	Consolidated PATMI (RM'000)
2014*	14,699
2015	27,412
2016	24,325
	66,436

Note:-

* Excluding gain on bargain purchase arising from acquisition of a subsidiary of approximately RM45.4 million.

Accordingly, Salutica Group has met the profit requirements of the SC Guidelines based on its audited financial statements with an aggregate after-tax profit of at least RM20 million for the past three (3) full financial years and an after-tax profit for the most recent financial year of RM6 million.

(ii) Healthy Financial Position

The Group’s financial position based on the audited consolidated financial results as at 30 June 2016 is set out as follows:-

FYE 30 June 2016	(RM'000)
Net assets	154,981
Borrowings	7,772
Gearing (times)	0.05
Cash, bank balances and short term investments*	97,896
Net Operating cash flow	16,637

Note:-

* Comprising cash and bank balances of approximately RM40.16 million and short term investments of approximately RM57.73 million.

As at 30 June 2016, the current assets of Salutica Group stood at approximately RM160.72 million while its current liabilities were at approximately RM44.94 million, representing a current ratio of 3.58 times. In addition, the Salutica Group has cash, bank balances and short term investments of approximately RM97.90 million and has sufficient working capital for at least twelve (12) months from the date of this announcement.

Accordingly, Salutica Group is in a healthy financial position, with positive cash flow from operating activities and no accumulated losses based on its latest audited consolidated statement of financial position of Salutica.

(iii) Public Shareholding Spread

Pursuant to the MMLR, the Company is required to meet a public shareholding spread of at least 25% of the total number of listed shares (excluding treasury shares) to be in the hands of a minimum number of 1,000 public shareholders holding not less than 100 shares each.

Based on the Record of Depositors of Salutica as at the LPD, approximately 28.67% of the issued and paid-up share capital of the Company is held by 1,250 public shareholders holding not less than 100 Shares each.

2.2 Proposed Amendments

The Proposed Amendments entail the consequential amendments to the Articles of Association of Salutica to facilitate the implementation of the Proposed Transfer.

The Articles of Association of Salutica is proposed to be amended as set out below:-

Existing	Proposed
<u>Article No.2</u>	<u>Article No.2</u>
“Listing Requirements”	“Listing Requirements”
The ACE Market Listing Requirements of the Exchange as may be amended from time to time including any re-enactment thereof and such guidance notes or circulars as may be amended by the Exchange from time to time	The ACE Market or Main Market Listing Requirements (as the case may be) of the Exchange as may be amended from time to time including any re-enactment thereof and such guidance or practice notes or circulars as may be amended by the Exchange from time to time

The details of the Proposed Amendments will also be set out in the Annual Report for the FYE 30 June 2016 which will be despatched to the shareholders of Salutica in due course.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

3.1 Proposed Transfer

The Proposed Transfer marks another milestone for Salutica Group subsequent to its listing on the ACE Market of Bursa Securities on 18 May 2016. The Proposed Transfer signifies the rapid growth and financial strength of Salutica Group as it has met the profit track record requirements for a transfer to the Main Market of Bursa Securities. As at the LPD, the market capitalisation of the Company is approximately RM500 million, reflecting our stakeholders’ confidence and belief in our business. The Board believes that the Proposed Transfer will enhance the Company’s credibility, prestige and reputation, and accord the Company greater recognition and acceptance by investors, including institutional investors, to reflect the Group’s current scale of operations.

Further, the Proposed Transfer is also expected to enhance the confidence of its customers, suppliers, bankers, business partners, employees and shareholders, through its profile as a company listed on the Main Market of Bursa Securities.

3.2 Proposed Amendments

The Proposed Amendments are necessary to facilitate the Proposed Transfer.

4. EFFECTS OF THE PROPOSALS

The Proposals will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of the Company, the net assets and gearing of Salutica Group, and the earnings and earnings per share of Salutica Group.

5. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:-

- i. Bursa Securities, for the transfer of the listing of and quotation for the entire issued and paid-up share capital of the Company from the ACE Market to the Main Market of Bursa Securities;
- ii. SC, for the Proposed Transfer;
- iii. Equity Compliance Unit of the SC, for the resultant equity structure after the Proposed Transfer;
- iv. The shareholders of Salutica, for the Proposed Amendments at the Annual General Meeting of the Company to be convened ("**AGM**"); and
- v. Any other relevant authority, if required.

The Proposed Transfer is conditional upon the Proposed Amendments.

Save as disclosed above, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS AND/ OR MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors and/ or major shareholders of Salutica and/ or persons connected to them have any interest, either direct or indirect, in the Proposals.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposals to be completed by the 1st quarter of calendar year 2017.

9. APPLICATION TO THE AUTHORITIES

The application to the relevant authorities for the Proposed Transfer shall be made within two (2) months from the date of this announcement.

10. ADVISER

RHB Investment Bank has been appointed as the Adviser for the Proposals.

This announcement is dated 30 September 2016.