

SALUTICA BERHAD ("SALUTICA" OR THE "COMPANY")

I. PROPOSED PRIVATE PLACEMENT; AND

II. PROPOSED DIVERSIFICATION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On behalf of the Board of Directors of Salutica ("**Board**"), UOB Kay Hian (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake the following:-

- i. a private placement of up to 30% of the total number of issued shares of Salutica ("**Salutica Share(s)**" or "**Share(s)**") (excluding treasury shares, if any) ("**Placement Share(s)**") to third party investor(s) to be identified later at an issue price to be determined and announced later ("**Proposed Private Placement**"); and
- ii. a diversification of the existing principal activities of Salutica and its subsidiary ("**Salutica Group**" or the "**Group**") to include the business of property development, construction and construction related activities, including design-and-build works and the trading and supply of construction materials, as well as property management and property investment ("**Property and Construction Business**") ("**Proposed Diversification**").

The Proposed Private Placement and Proposed Diversification are collectively referred to as the "**Proposals**".

For the avoidance of doubt, the Proposed Private Placement is not undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act, 2016 ("**Act**") but that the Proposed Private Placement is subject to, amongst others, the specific approval of the shareholders of Salutica at an extraordinary general meeting of Salutica ("**EGM**") to be convened.

Further details of the Proposals are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Placement size

As at 15 September 2026, being the latest practicable date of this announcement ("**LPD**"), the Company has a total issued share capital of RM120,424,768 comprising 468,850,000 Salutica Shares (including 3,000,000 treasury shares).

For illustrative purposes, throughout this announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:-

Minimum Scenario : Assuming none of the treasury shares are resold prior to the implementation of the Proposed Private Placement.

Maximum Scenario : Assuming all of the treasury shares are resold prior to the implementation of the Proposed Private Placement.

For illustrative purposes, the total number of Placement Shares that may be issued by Salutica pursuant to the Proposed Private Placement under the Minimum and Maximum Scenario is set out below:-

Scenario	No. of Placement Shares
Minimum Scenario	: 139,755,000 Placement Shares (representing 30% of the number of issued Shares of 465,850,000 Shares)
Maximum Scenario	: 140,655,000 Placement Shares (representing 30% of the enlarged number of issued Shares of 468,850,000 Shares)

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 8** of this announcement, where applicable.

2.2 Basis of determining and justification for the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

The Placement Shares will be issued at an issue price of not more than 20% discount to the 5-day volume weighted average market price ("**VWAP**") of Salutica Shares immediately preceding the price-fixing date, and after taking into consideration the prevailing market conditions.

For illustrative purposes, the illustrative issue price of the Placement Shares is assumed at RM0.115 per Placement Share, which represents a discount of approximately 18.09% to the 5-day VWAP of Salutica Shares up to and including the LPD of RM0.1404 per Salutica Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the existing Salutica Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing of and quotation for Placement Shares

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

- i. any director, major shareholder, chief executive of Salutica or a holding company of Salutica, where applicable ("**Interested Person**");
- ii. a person connected with an Interested Person; and
- iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares in one tranche, the Proposed Private Placement may be implemented in multiple tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.115 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM16.18 million. The gross proceeds are intended to be utilised by Salutica Group in the following manner:-

Details of utilisation	Timeframe for utilisation from the receipt of funds	Minimum Scenario		Maximum Scenario	
		RM'000	%	RM'000	%
Business expansion of the Property and Construction Business ^{*1}	Within 24 months	8,000	49.78	8,000	49.46
Business expansion of the Manufacturing Business ^{*2}	Within 12 months	7,901	49.16	8,004	49.48
Estimated expenses ^{*3}	Upon completion	171	1.06	171	1.06
Total		16,072	100.00	16,175	100.00

Notes:-

^{*1} In line with the Proposed Diversification as set out in **Section 3** of this announcement, the proceeds earmarked for business expansion in the Property and Construction Business will be utilised to partly or fully finance the Group's working capital and/ or capital expenditure requirements arising from the Property and Construction Business.

In connection with the Proposed Diversification, the management intends to incorporate a new subsidiary, which will principally undertake the Group's activities in the Property and Construction Business. Following the incorporation of the new subsidiary, the Group intends to apply for the requisite Grade G7 contractor registration with the Construction Industry Development Board ("**CIDB**") to enable the new subsidiary to participate in tenders for and undertake construction projects of the relevant scale and value, subject to the approval of the Proposed Diversification by the shareholders of the Company.

For information purposes, the incorporation of the new subsidiary is anticipated to be completed by end of October 2026. Following the incorporation of the new subsidiary, the Group intends to submit the application for the CIDB licence by early November 2026, with the licence targeted to be obtained within approximately one month from the date of submission. Upon obtaining the CIDB licence, the new subsidiary will be in a position to participate in tenders and pursue suitable property development and construction projects, subject to the applicable requirements and successful award of such projects.

Premised on the above, the proceeds allocated for the proposed business expansion are principally intended to fund the working capital and project-related expenses arising from the property development and/ or construction projects to be undertaken by the new subsidiary. Such expenses may include, amongst others, mobilisation and preliminary costs, procurement of construction materials and equipment, payments to subcontractors and suppliers, labour costs, professional and consultancy fees, acquisition of land and/ or properties, joint-venture deposits or collaboration project deposits, payments to authorities, as well as other costs and expenses incidental to the implementation and execution of projects secured by the new subsidiary.

Should the project costs exceed the amount allocated for the business expansion above, the Group intends to fund the remaining project costs via internally-generated funds, borrowings and/ or future equity fund-raising exercises, subject to the Group's funding requirements and prevailing market conditions.

In the event Salutica is unable to identify and/ or secure any suitable property development and construction projects within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for business expansion in the Property and Construction Business shall be reallocated towards the working capital requirements of the Group's existing projects under its manufacturing business, which comprises vertical integration processes covering product design and development, and manufacturing of mobile communication products, wireless electronics, server for data processing centres, lifestyle devices comprising Bluetooth and non-Bluetooth products such as smart home sensors/ controllers, light guides and industrial products. In addition, under its FOBO home-grown brand, the Group manufactures tyre-pressure monitoring systems, agriculture sensors and tracking devices (collectively, the "Manufacturing Business"), as referred to in note (2). Similarly, in the event the Proposed Diversification is not approved by the shareholders of the Company, the proceeds earmarked for business expansion in the Property and Construction Business will not be utilised for the purposes of the Property and Construction Business and shall instead be utilised wholly for the general working capital requirements of the Group's existing businesses, including the existing projects under the Manufacturing Business as referred to in note (2). The Group shall make the necessary announcements and/ or seek the approval of its shareholders in accordance with Paragraph 8.22 of the Listing Requirements in the event of a material variation to the utilisation of the proceeds as set out above.

^{*2} The Group intends to utilise up to RM8.00 million of the proceeds to be raised from the Proposed Private Placement to support the business expansion of the Manufacturing Business. Such business expansion will include the acquisition and installation of additional machinery and equipment, upgrading and/ or expansion of its existing production facilities, development of new product lines, automation and enhancement of its production processes as well as development and commercialisation of new products.

The management expects the Group's working capital requirements to increase in tandem with the expansion of its Manufacturing Business. Hence, the proceeds will also be utilised to fund the Group's general working capital requirements, including purchase of raw materials, upkeep and maintenance of machineries as well as general overheads and administrative expenses.

The breakdown of the utilisation of proceeds for the business expansion of the Manufacturing Business is as follows:-

	Minimum Scenario	Maximum Scenario
Investing in machinery and equipment which consists mainly of new production line setup and expansion of production capacities including other capital expenditure requirements in expansion of manufacturing operations	2,000	2,000
Upgrading and enhancement of existing production facilities including process automation, system integration and testing	1,000	1,000
Working capital requirements, the breakdown of which is as follows:-	4,901	5,004
	Minimum Scenario	Maximum Scenario
Purchase of raw materials such as plastic resins, electronics/ mechanical components including solder pastes/ flux etc	4,000	4,000
Upkeeps and maintenance	800	800
General overheads and administrative expenses	101	204
Total	4,901	5,004
Total	7,901	8,004

*3 The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-

	RM'000
Professional fees	84
Regulatory fees	60
Other incidental expenses in relation to the Proposed Private Placement	27
Total	171

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for business expansion of the Group.

The actual gross proceeds to be raised from the Proposed Private Placement are dependent on the eventual issue price and the number of Placement Shares to be issued.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or any gains arising from the money market instruments will be used as working capital of the Group, the breakdown of which cannot be ascertained at this juncture but will be determined by the Board at a later stage.

2.7 Other equity fund raising exercises in the past 5 years

Previous Private Placement

On 7 February 2025, Bursa Securities had approved the listing and quotation of up to 42,650,000 new Shares to be issued pursuant to the private placement in accordance with Sections 75 and 76 of the Act ("**Previous Private Placement**"), of which a total of 42,350,000 Shares were placed out at the following prices, raising gross proceeds of RM7.06 million:-

Listing date	Issue price RM	Shares	Actual proceeds raised RM
16 June 2025	0.2030	250,000	50,750
18 June 2025	0.2030	250,000	50,750
30 June 2025	0.1870	500,000	93,500
4 July 2025	0.1870	250,000	46,750
8 July 2025	0.1870	750,000	140,250
11 July 2025	0.1900	250,000	47,500
14 July 2025	0.1910	250,000	47,750
15 July 2025	0.1880	500,000	94,000
21 July 2025	0.1860	250,000	46,500
22 July 2025	0.1850	250,000	46,250
23 July 2025	0.1830	250,000	45,750
25 July 2025	0.1800	500,000	90,000
30 July 2025	0.1780	500,000	89,000

Listing date	Issue price RM	Shares	Actual proceeds raised RM
1 August 2025	0.1790	250,000	44,750
4 August 2025	0.1780	250,000	44,500
5 August 2025	0.1770	250,000	44,250
6 August 2025	0.1770	250,000	44,250
11 August 2025	0.1740	250,000	43,500
14 August 2025	0.1680	250,000	42,000
15 August 2025	0.1670	1,250,000	208,750
18 August 2025	0.1740	2,000,000	348,000
20 August 2025	0.1790	2,000,000	358,000
2 September 2025	0.1650	500,000	82,500
4 September 2025	0.1640	17,500,000	2,870,000
11 September 2025	0.1590	12,850,000	2,043,150
Total		42,350,000	7,062,400

The Previous Private Placement was subsequently completed on 11 September 2025. The utilisation of proceeds as at the LPD are set out below:-

Details	Expected timeframe for utilisation from receipt of funds	Actual proceeds raised RM'000	Actual utilisation RM'000	Balance proceeds unutilised RM'000
Capital expenditure ^{*1}	Within 12 months ^{*3}	5,000	1,419	3,581
Working capital requirements ^{*2}	Within 12 months	1,862	1,862	-
Estimated expenses	Upon completion of the Previous Private Placement	200	200	-
Total		7,062	3,481	3,581

Notes:-

^{*1} The gross proceeds of RM1.42 million as at the LPD has been utilised to finance the investment in machinery and equipment for new customer and new product range of Salutica Group, of which the breakdown is set out below:-

Details	Actual utilisation RM'000	Balance unutilised RM'000
Investing in machinery and equipment for new customer mainly consist of jigs & fixtures testers, mining aging facility, surface mount equipment & accessories, and other information technology equipment & security system	996	3,204
Other equipment for new product range	423	377
Total	1,419	3,581

^{*2} The gross proceeds of RM1.86 million as at the LPD has been utilised to finance the working capital requirements of Salutica Group which include, amongst others, purchase of raw materials such as electronic components, mechanical parts, plastic resin and upkeeps and maintenance.

^{*3} For information purposes, the Board had on 24 August 2026 resolved to extend the timeframe for the utilisation of proceeds for an additional 12 months up to 10 September 2027.

Save for the Previous Private Placement, the Company has not undertaken any other equity fund raising exercises in the 5 years prior to the date of this announcement.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

As at the LPD, the Group is principally involved in the Manufacturing Business. A summary of the Group's financial performance based on the audited consolidated financial statements of Salutica for the past 3 years up to the financial year ended ("FYE") 30 June 2025, as well as the latest unaudited 12-month financial period ended ("FPE") 30 June 2026, are as follows:-

	<-----Audited FYE 30 June----->			<-Unaudited FPE 30 June->
	2023	2024	2025	2026 ^{*1}
	RM'000	RM'000	RM'000	RM'000
Revenue	63,853	21,328	20,250	27,941
Profit/ (Loss) before tax ("PBT"/ ("LBT"))	(21,437)	(43,119)	(29,760)	(23,866)
Profit/ (Loss) after tax ("PAT"/ ("LAT")) attributable to the owners of the Company	(28,532)	(43,119)	(29,760)	(23,746)

Note:-

^{*1} For information purposes, the Company had on 28 May 2026 announced a change in the Group's financial year end from 30 June 2026 to 31 December 2026. The financial year will commence from 1 July 2025 to 31 December 2026, covering a total period of 18 months

For clarity, the Group's revenue is derived solely from the Manufacturing Business. Further, as outlined in the above table, the Group has been incurring losses over the financial years/ periods under review, with such losses attributable solely to the Manufacturing Business.

The losses incurred by the Group's Manufacturing Business over the financial years/ periods under review were attributable to a combination of the following:-

- i. low order volume from existing products, holding of excess resources pending mass production for new projects currently under development stage, which led to higher production line set up cost and inefficient absorption of fixed overheads;
- ii. impairment losses on the property, plant and equipment ("PPE") following the periodic impairment assessments performed in accordance with applicable accounting standards. PPE are impaired by evaluating the extent to which the recoverable amount of the asset is less than its' carrying amount. The total impairment losses amounted to approximately RM9.80 million and were recognised in FYE 30 June 2023 and FYE 30 June 2024;
- iii. allowance for impairment loss on trade receivables amounting to RM7.88 million incurred in FYE 30 June 2024 mainly due to a legal suit against one Australian customer which subsequently went into liquidation;
- iv. legal fees amounting to approximately RM3.54 million in FYE 30 June 2025 for ongoing legal court cases, including RM1.20 million in security for costs in connection with the legal suit against Apple Malaysia Sdn Bhd, which was decided against the Group by the High Court of Malaya in Kuala Lumpur and subsequently appealed by the Group to the Court of Appeal; and

- v. a mutual separation scheme exercise which was carried out in October 2025 and May/June 2026 amounting to approximately RM2.01 million as at FPE 30 June 2026. The scheme was undertaken as part of the Group's cost rationalisation and operational restructuring efforts to align its workforce size with current business volume and operation requirements.

While the Group continues to focus on enhancing the performance of its Manufacturing Business, the Board is of the view that diversifying into additional business segment may expand the Group's revenue and earnings base, and reduce the Group's reliance on a single revenue stream and enhance the Group's overall earnings resilience over the longer term. Accordingly, the Group proposes to diversify its earnings base by venturing into the Property and Construction Business as additional business segment alongside its existing Manufacturing Business.

As aforementioned in **Section 2.6** of this announcement, the management intends to incorporate a new subsidiary, which will principally undertake the Group's activities in the Property and Construction Business. Following the incorporation of the new subsidiary and subject to the approval of the Proposed Diversification by the shareholders of the Company, the Group intends to apply for the requisite CIDB license to enable the new subsidiary to participate in tenders for and undertake construction projects of the relevant scale and value.

As the Property and Construction Business represents a new segment for the Group, the Group intends to initially focus on smaller scale construction and property-related projects before progressively undertaking larger scale projects and developments as the Group gains experience and establishes its capabilities in these areas. The Group may also explore joint ventures, partnerships and/ or collaborations with landowners, property developers, contractors and/ or other strategic partners as and when suitable opportunities arise. The decision as to whether a project or investment opportunity will be undertaken by the Group independently or in collaboration with other parties will be determined by the Board after taking into consideration various factors, including the nature and scale of the project or investment opportunity, the amount of investment and resources required, the Group's capabilities and expertise, as well as the risks associated with such project or investment opportunity.

The Property and Construction Business will be spearheaded by the key management personnel as set out in **Section 3.1** of this announcement.

In view of the above, the Board anticipates that, barring any unforeseen circumstances, the Property and Construction Business is expected to result in either:-

- i. the contribution of 25% or more of the net profits of the Group; or
- ii. the diversion of 25% or more of the net assets ("**NA**") of the Group to an operation which differs widely from those operations previously carried on by the Group.

As such, the Board proposes to seek the approval from the shareholders of Salutica for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") at an EGM to be convened. Notwithstanding the Proposed Diversification, the Board intends to continue with the existing business segments of the Group in the same manner and the Board will review the Group's business operations from time to time with the intention to further improve the Group's financial performance.

3.1 Key management personnel

The Group has identified the following personnel to oversee the Property and Construction Business. Their profiles are set out below:-

i. Chuah Chong San ("Mr Chuah")

Mr Chuah, a Malaysian aged 61, is currently the Group's Executive Director of Salutica Group. He was appointed by Salutica Group to spearhead and lead the Group's Property and Construction Business and is responsible for overseeing the business development and management of the Property and Construction Business and set the overall strategic direction of the Group's Property and Construction Business.

Mr Chuah obtained his degree in Electrical Engineering in 1989 from University Malaysia and a Master degree in Business Administration in 1998 from Universiti Sains Malaysia. He has extensive experience in senior management, business development, strategic planning, project management, business transformation and operational leadership, further complemented by his direct involvement in property development projects since 2021.

He started his career in Motorola Solutions Malaysia Sdn Bhd ("**Motorola**") as Test System Engineer in 1998 and subsequently transferred to the Internal Control function, focusing on Information Technology ("**IT**"), Information Security Protection & Compliance. He was promoted to an Engineering management role in 2000. He led a team to digitise and transform key supply chain business processes and was promoted to Motorola Penang IT lead in 2005 to manage the simplification and consolidation of enterprise resource planning system across multiple businesses within Motorola. During his service at Motorola, he managed IT lead roles in multiple mergers, acquisition and divesture projects. Furthermore, he had successfully migrated regional IT business system to global enterprise system in 2013. In 2016, he was promoted to be the Asia Pacific IT lead, focusing on modernising the IT Infrastructure, partnering with third-party logistics and electronics manufacturing services to deliver IT solution and supporting IT services in 12 Asia Pacific countries. He subsequently left Motorola in 2020.

He joined Luster Industries Berhad as an Alternate Director in 2020 and was appointed as Executive Director in 2021. Luster Industries Berhad carry out business of development and construction besides manufacturing. In December 2021, he was appointed as a Director of Luster Ara Sdn Bhd, the developer of Amara Residences, located in Ara Damansara, Petaling Jaya. The development comprises 412 residential units and is currently under construction, with completion targeted for the fourth quarter of 2029. Through his involvement in these developments, he has gained practical experience in the management and oversight of property development projects, including project planning, monitoring of development progress, stakeholder coordination and overall project management.

His involvement in property development commenced in May 2021, when he was appointed as a Director of PD Ara Sdn Bhd, the developer of Myara Park, a residential and commercial development located in Ara Damansara, Petaling Jaya, comprising 255 residential units and 15 commercial units. The project has since been completed, with vacant possession delivered in March 2026.

On January 2022, he joined Aimflex Berhad as Executive Director and was subsequently redesignated as Managing Director on 21 September 2023.

Throughout his career, Mr Chuah has gained extensive experience in senior management, business development, strategic planning, project management and business transformation, including leading cross-functional teams, managing business transformation initiatives, overseeing enterprise-wide projects and coordinating with various stakeholders across multiple business operations and geographical markets. His experience in managing strategic and operational initiatives across different organisations has provided him with broad exposure to business development, organisational management and the implementation of large-scale projects.

The Group believes that Mr Chuah's extensive senior management and business development experience, complemented by his engineering background, direct involvement in property development and construction projects, project management expertise and operational leadership capabilities, will be relevant to his role in spearheading the Group's Property and Construction Business and support the Group in establishing, developing and overseeing the strategic and operational direction of the business.

ii. Lim Chiong Yau ("Mr Lim")

Subject to the approval of Salutica's shareholders for the Proposed Diversification, Mr Lim, a Malaysian aged 46, will be appointed as a key management personnel of Salutica, assuming the role of Project Manager and supporting Mr Chuah in spearheading the Property and Construction Business of the Group. Mr Lim has more than 15 years of experience in the engineering and construction industry and will be responsible for supporting the planning and implementation of the Group's Property and Construction Business, including project planning, coordination and execution, regulatory compliance matters and coordination of supply chain and operational planning across the property development and construction value chain.

Mr Lim obtained his Bachelor of Engineering Technology, majoring in Electrical & Electronic Engineering, from the University of Southern Queensland, Australia in 2003. He began his career with P&M Electrical & Mechanical Sdn Bhd in 2003 as a Project Engineer, where he was involved in tender exercises, quantity take-offs and pricing, procurement coordination, preparation of drawings and as-built drawings, as well as liaison with subcontractors on project requirements and costing. In 2008, he joined Letrikon Engineering Sdn Bhd, where he was involved in tender exercises, project coordination and liaison with subcontractors and suppliers on product specifications.

Thereafter, he joined Antara Elektrik Sdn Bhd in 2010 as a Senior Project Engineer where he was involved in project implementation, coordination and cost control, preparation of shop drawings and as-built drawings, tender exercises, progress claims and resolution of technical matters with clients, consultants and main contractors.

In 2020, he joined Premiumtel Sdn Bhd as a Project Manager where he provided technical leadership and managed projects from the planning stage through to completion. His responsibilities included overseeing site installation works, testing and commissioning of mechanical and engineering ("M&E") services, coordinating with main contractors and subcontractors, resolving technical matters and preparing progress claims. Subsequently, in 2024, he joined LFE Engineering Sdn Bhd as a Project Manager where he was responsible for project planning, coordination and execution, including monitoring project schedules and budgets, coordinating site activities, managing manpower, materials and subcontractors, reviewing M&E designs and technical requirements, and liaising with clients, consultants and relevant authorities.

Throughout his career, Mr Lim has gained experience in the planning, coordination and execution of engineering and construction projects, including project scheduling and cost control, site coordination, M&E design and technical coordination, tender exercises, progress claims, testing and commissioning, and liaison with clients, consultants, contractors and relevant authorities. His experience in managing project activities from the planning and implementation stages through to completion and handover has provided him with practical exposure to various aspects of project delivery and construction operations.

The Group believes that Mr Lim's engineering and project management experience, together with his practical understanding of construction activities and coordination with various project stakeholders, will be relevant to his role as Project Manager and support the Group in establishing and implementing its Property and Construction Business.

iii. Noor Ameera Shaheera binti Razali ("Ms Ameera")

Subject to the approval of Salutica's shareholders for the Proposed Diversification, Ms Ameera, a Malaysian aged 31, will be appointed as a key management personnel of Salutica, assuming the role of Assistant Project Manager and managing the technical, coordination and operational aspects of the Property and Construction Business of the Group. She will be assisting Mr Lim in the Property and Construction Business of the Group. Ms Ameera has approximately 7 years of experience in mechanical, electrical and plumbing ("MEP") coordination and construction-related project coordination.

Ms Ameera obtained her Bachelor of Mechanical Engineering with Honours from Universiti Tun Hussein Onn Malaysia in 2018. In 2024, while continuing her professional career in the construction industry, she commenced a Master of Project Management programme at Universiti Teknologi Malaysia on a part-time basis and completed the programme in 2025.

She began her career at Kerjaya Prospek (M) Sdn Bhd in 2018 as a Junior MEP Coordinator where she was involved in coordinating M&E-related matters, attending project and technical meetings, reviewing project information and drawings, monitoring site works and assisting in resolving clashes and coordination issues between M&E services and other building works. She was promoted to MEP Coordinator in 2019.

In 2023, she joined China Communications Construction Company (M) Sdn Bhd as a M&E Manager where she was involved in the coordination and management of M&E works, including coordinating with consultants, subcontractors and other project stakeholders, monitoring site activities and construction progress, resolving coordination issues and reviewing M&E coordination drawings. Subsequently, in 2024, she joined China Construction Development (Malaysia) Sdn Bhd as a MEP Coordinator where she was responsible for coordinating M&E-related matters with consultants and project teams, attending coordination meetings, reviewing and disseminating project-related information to relevant parties, supervising and monitoring M&E works at site, identifying potential clashes and coordination issues, preparing and reviewing coordination drawings, and assisting in resolving technical matters to support the timely execution of works.

Throughout her career, Ms Ameera has gained experience in MEP coordination and the delivery of construction projects, including the coordination of site activities, review of technical and coordination drawings, monitoring of construction progress, and liaison with consultants, subcontractors and other project stakeholders. Her experience has provided her with practical exposure to the coordination and implementation of construction works and the management of M&E-related matters across various stages of project delivery.

The Group believes that Ms Ameera's MEP and construction coordination experience, together with her academic background in mechanical engineering and project management, will be relevant to her proposed role as Project Director and support the Group in establishing and implementing its Property and Construction Business.

Moving forward, as and when required, the Group intends to expand its number of employees pursuant to the Proposed Diversification in order to ensure adequate staff resources are available to support the Property and Construction Business, including the recruitment of additional project managers, site supervisors and contract administration personnel (e.g. quantity surveyors), in line with the anticipated scale-up of the Property and Construction Business.

3.2 Additional financial commitment required

As at the LPD, the Group has not secured or entered into any construction, property development or property investment projects. Accordingly, the Proposed Diversification is not expected to result in any material immediate capital expenditure as the Group intends to leverage its existing operational infrastructure, personnel, resources and supplier network in the initial phase of implementation.

Nevertheless, as the Group's Property and Construction Business scale up over time and the Group undertakes more projects or investment opportunities in the future, the Group may be required to incur additional financial commitments to undertake and complete such projects or investments. The quantum of such financial commitments will depend on, amongst others, the scale and number of projects or investment opportunities secured, the nature and complexity of the projects, the procurement and development costs involved, credit terms negotiated with suppliers and customers, land acquisition costs (where applicable), as well as prevailing market conditions.

The Group intends to fund these additional financial commitments through a combination of internally generated funds, future equity fund raising exercises, which may include private placements and rights issues, and bank borrowings, where appropriate, subject to the funding requirements of the relevant projects or investment opportunities and the Group's financial position at the relevant time. The Board will assess the funding requirements of each project or investment opportunity on a case-by-case basis and will ensure that the Group maintains a prudent capital structure and sufficient liquidity to support the expansion of the Property and Construction Business.

4. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSALS

4.1 Proposed Private Placement

The Proposed Private Placement is undertaken by the Company to raise the requisite funds to meet the Group's immediate funding requirements as set out in **Section 2.6** of this announcement.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising for the Group due to the following reasons:-

- i. enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- ii. provides the Company with an expeditious fundraising alternative from the capital market as opposed to other forms of fund raising; and
- iii. strengthen the Company's shareholders' funds and capital base pursuant to the Proposed Private Placement.

4.2 Proposed Diversification

As set out in **Section 3** of this announcement, the Group's revenue is currently derived from its Manufacturing Business, which has been loss making over the financial years/ periods under review. While the Company will continue to focus on enhancing the performance of its Manufacturing Business, the Proposed Diversification is part of the Group's strategic plan to diversify into other viable businesses to expand the earnings base of the Group in the long-term, with the aim to continuously improve shareholders' value. The potential earnings contribution from the Property and Construction Business will also reduce the Group's reliance on its Manufacturing Business.

In considering the Proposed Diversification and the feasibility of the Property and Construction Business, the Board had taken into consideration the following factors in arriving at its decision to undertake the Proposed Diversification:-

- i. the 3 key management personnels as set out in **Section 3.1** of this announcement, with relevant experience in property development and construction related capacities, to facilitate the commencement of the Group's Property and Construction Business. With the additions of Mr Chuah, Mr Lim and Ms Ameera into the Group, the Board opines that they will be able to smoothly facilitate the commencement of the Group's Property and Construction Business, which is presently in its gestation stage; and
- ii. the positive market outlook of the construction and property industries as set out in **Sections 5.6 and 5.7** of this announcement, respectively. The construction and property industries in Malaysia are supported by continued domestic infrastructure and industrial development activity, as well as government initiatives aimed at promoting housing and construction-related investments. Through the Proposed Diversification, the Group intends to position itself in order to capitalise on the opportunities that may arise from increased property development activity in Malaysia.

As the Proposed Diversification involves the Group venturing into the Property and Construction Business which differs from the existing principal activities of the Group, the Group is required to undertake the Proposed Diversification pursuant to Paragraph 10.13 of the Listing Requirements.

Pursuant thereto, the Board opines that it is in the best interest of the Group to expand its earnings base by diversifying into the Property and Construction Business, in order to reduce its reliance on its existing Manufacturing Business. In addition, by leveraging on the experience and expertise of Mr Chuah, Mr Lim and Ms Ameera as highlighted in **Section 3.1** of this announcement and also recruiting additional management personnel with relevant experience to undertake various roles in the Property and Construction Business, as and when required, the Board believes that the Group will have the capacity, capability and resources to diversify into this business.

Notwithstanding the Proposed Diversification, the Board intends to continue with the Group's existing principal activities in the same manner and the Board will review the Group's business operations from time to time with the intention to further improve the Group's financial performance. Barring any unforeseen circumstances, the Board believes that the Proposed Diversification will potentially contribute positively to the Group's future earnings potential moving forward.

5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

5.1 Overview and outlook of the Malaysian economy

Malaysia's economy remains strong, having grown by a steady 4.4% in the first six months of the year. Growth is projected to continue within the range of 4% – 4.8% in 2025 and 4% – 4.5% in 2026. These projections are consistent with the International Monetary Fund (IMF) in the World Economic Outlook Update, July 2025, which forecasts Malaysia's growth at 4.5% for 2025 and 4% for 2026. The growth will mainly be underpinned by strong domestic demand, moderate inflation, favourable labour market and proactive policies undertaken by the Government. The performance will also be supported by the ASEAN-Malaysia Chairmanship 2025 and Visit Malaysia 2026 ("**VM2026**"). The economy continues to be steered by the Ekonomi MADANI framework and the Government remains committed to positioning Malaysia as an attractive destination for quality investments. At the same time, ongoing improvements in the wage-setting mechanism and rising business efficiency are expected to strengthen the wage structure, thus contributing to a higher labour income share.

Headline inflation is projected to range between 1.3% and 2% in 2026, reflecting a continued environment of manageable price growth. The outlook is shaped by steady domestic demand, stable labour market conditions as well as policies that support household purchasing power and market stability. Price pressures are anticipated to remain contained, supported by ongoing improvements in supply chains and productivity, with producer-price movements gradually passing through to consumers. Risks to the outlook are broadly balanced with upside risks include potential adjustments to domestically administered prices or higher global commodities. However, downside risks stemming from a stable ringgit, ongoing policy measures and any further easing in global food and energy prices would temper inflation.

In 2026, domestic demand is expected to register a growth of 5.4%, steered by sustained private sector expenditure at 5.7%. Strong consumption and investment activities will keep the private sector's contribution significant at 4.5 ppt to GDP growth. Meanwhile, public expenditure is anticipated to rise by 4.4%, contributing 0.8 ppt to overall growth.

Private investment is anticipated to register a growth of 7.8% in 2026, driven by increased capital spending on structures and machinery & equipment in technology-intensive manufacturing and services sectors. The large volume of approved investments is expected to be realised, particularly in semiconductors, renewable energy and data centres. This outlook is reinforced by the strong implementation track record, with the execution of 85.1% manufacturing projects approved between 2021 and June 2025. Strong global demand for electrical and electronic ("E&E"), coupled with automation and digitalisation is expected to further stimulate investment in high-value and innovation-led activities. At the same time, ongoing initiatives such as GEAR-up and the rollout of national masterplans will strengthen investor confidence and Malaysia's position as a competitive investment destination.

Malaysia's economy is expected to maintain resilient growth trajectory, anchored by a diversified economic structure and sound policy management against heightened global uncertainties, stemming from unsettled trade tariffs and prolonged geopolitical tensions. While Malaysia's export-oriented markets remain vulnerable, domestic demand will continue to provide a solid foundation, supported by a strong labour market and vibrant private consumption. The upcoming VM2026 is strategically positioned to act as a lever for the economy. With the target of attracting 47 million foreign visitors, VM2026 is set to boost the services sector including retail, transportation and hospitality, while the manufacturing sector and trade remain supportive. The combination of a robust domestic economy, enhanced trade diversification and a major tourism impetus, positions Malaysia to navigate global headwinds and sustain the nation's growth momentum.

(Sources: Economic Outlook 2026, Ministry of Finance of Malaysia)

5.2 Overview and outlook of the manufacturing industry in Malaysia

The manufacturing sector grew by 3.9% in the first half of 2025, supported by expansion in both export- and domestic-oriented industries. The export-oriented industries dominated the first half performance, recording a steady growth of 4.8%, primarily driven by strong gains in the E&E segment. This growth is on the back of demand for data centre-related components and the emergence of initial artificial intelligence ("AI") edge applications. Meanwhile, the domestic-oriented industries registered a growth of 2.2%, contributed by continued household spending and construction-related activities.

For the second half of the year, the sector is projected to record a growth of 3.6%, in line with steady performance in all subsectors. Within the export-oriented industries, higher investment in the semiconductor segment and continued implementation of initiatives under existing policies, among others the New Industrial Master Plan 2030 (NIMP 2030) and National Semiconductor Strategy (NSS), will further enhance competitiveness through stronger industrial clusters and greater digital adoption. In addition, an upsurge in activities of mining-related clusters are anticipated to bolster the industries' growth. Meanwhile, robust domestic consumption in the consumer goods and construction segments is anticipated to support the domestic-oriented industries. The demand for consumer-related products, particularly in the food and beverages as well as transportation segments, will be underpinned by higher tourism-related activities. On the other hand, building materials such as metal and cement are expected to record higher production, in line with the steady performance of the construction sector. Hence, the manufacturing sector is projected to register a growth of 3.8% in 2025.

Growth in the manufacturing sector is projected to remain steady at 3% in 2026, supported by both export- and domestic-oriented industries. The broader gains from the global technology upcycle is anticipated to continue supporting export-oriented industries. The E&E cluster is expected to remain the key driver, with sustained growth across semiconductor products, particularly in the chips segment, following robust demand for AI applications and digitalisation. These developments will further elevate growth prospects and strengthen Malaysia's position in the global E&E supply chain.

Meanwhile, domestic-oriented industries will be supported by higher output, attributed to stable investment and consumption activities as well as concerted government efforts to boost local production. A surge in visitor arrivals and rising gastronomic activities are expected to increase output in the consumer goods segment, particularly food and beverages. Furthermore, Phase 2 of the Public Service Remuneration System implementation is anticipated to boost household spending. The transportation-related industries will also benefit from increasing logistics and travel activities.

(Sources: Economic Outlook 2026, Ministry of Finance of Malaysia)

5.3 Overview and outlook of the automotive industry in Malaysia

The wholesale and retail trade subsector grew by 4.3% in the first half of 2025, with sustained performance observed, particularly in the wholesale and retail trade segments. The subsector is anticipated to expand by 4.4% in the second half of the year, driven by retail trade segment attributed to higher domestic consumption and visitor spending. Meanwhile, steady income growth, expansion of initiatives under Payung Rahmah as well as the Penghargaan Sumbangan Asas Rahmah (SARA) RM100 One-off, will further spur household spending. Meanwhile, the motor vehicles segment is estimated to experience a marginal contraction due to normalisation of total industry volume (TIV) for new vehicle sales following all-time high sales of 817,955 units recorded in 2024. Despite the slowing down in sales, the demand for national cars remain sizeable and orders for electric vehicles (EVs) continues to rise. Therefore, in line with continuation of high order books for the whole year, the automotive industry is expected to support the performance of the segment. Overall, the subsector is forecast to maintain growth of 4.4% in 2025.

The wholesale and retail trade subsector will remain the key driver for the services sector, with a growth of 5% mainly attributed to the retail segment. Vigorous seasonal sales and promotional campaigns across stores as well as e-commerce and social media platforms will stimulate buying activities. In addition, initiatives such as product demonstrations and in-store placements as well as attractive pricing strategies will enhance sales of locally made products. Meanwhile, the motor vehicles segment is expected to rebound, supported by higher booking for new vehicles.

(Sources: Economic Outlook 2026, Ministry of Finance of Malaysia)

5.4 Overview and outlook of the medical industry in Malaysia

Malaysia is projected to shift from an ageing to aged nation by 2048, with 14% of the population aged 65 and above. Such status requires improvements in healthcare and living standards, resulting in larger allocations on healthcare and social protection systems. While addressing the crucial needs of an ageing population, the Government continues to explore opportunities in leveraging the potential capacity of older Malaysians in contributing to the economy beyond retirement. With proper policies, ageing does not need to translate into economic dependency, but is seen as another component of human capital agenda, emphasising lifelong learning and reskilling as tools to sustain productivity and encourage active ageing.

The Government remains committed to building a sustainable and resilient healthcare system that guarantees universal access to quality and affordable services. Therefore, under Budget 2026, hospitals and clinics will continuously be equipped with appropriate advanced facilities and sufficient healthcare personnel for a more conducive environment across all healthcare centres. Initiatives related to sustainable healthcare financing will be explored to mobilise additional funding beyond traditional government allocation to offer premium economy services, while retaining talents in the public sector. Nevertheless, priority will continue to be given in improving access to affordable medicines, enhancing rural primary healthcare and accelerating digitalisation of healthcare services.

As an integral part of a modern social protection system, the care economy contributes to building an equitable society, enhancing ageing support and safeguarding the well-being of families. The care economy broadens access to care by supplementing healthcare services with community-based support, ensuring that health needs are met more holistically to improve well-being.

The other services subsector is projected to rise by 4.6%, driven by private health and education segments. In particular, the Malaysia Year of Medical Tourism 2026 (MYMT 2026) initiative, emphasising affordability and high-quality healthcare services will attract more healthcare travellers. The healthcare industry will continue to focus on a targeted marketing campaign, particularly in China, India and Indonesia.

(Sources: Economic Outlook 2026, Ministry of Finance of Malaysia)

5.5 Overview and outlook of the fifth generation telecommunications industry in Malaysia

The information and communication subsector expanded by 3.5% in the first half of 2025 attributed to increasing demand for digital connectivity and data services in the telecommunication segment. The subsector's growth is projected to increase by 3.6% in the second half of the year, leading to an overall growth of 3.6% in 2025.

The information and communication subsector is expected to grow 4.3%, mainly driven by expansion in AI technologies, data centre and cloud computing capacities as well as continued government support through comprehensive digital policies and infrastructure upgrades. In addition, the subsector will be fuelled by higher social commerce activities via various social platforms as well as subscriptions of over-the-top (OTT) media services for e-sports and entertainment. Major sporting events such as the 2026 FIFA World Cup, BWF Thomas & Uber Cup 2026 and the 2026 Commonwealth Games will increase the number of subscribers, further boosting the subsector.

(Sources: Economic Outlook 2026, Ministry of Finance of Malaysia)

5.6 Overview and outlook of the construction industry in Malaysia

The construction sector expanded strongly by 13.1% in the first half of 2025, supported by solid performance across all subsectors. The non-residential buildings subsector recorded robust expansion, driven by acceleration and realisation of private investment in industrial facilities, commercial complexes and data centres, reflecting sustained business activities and rising digitalisation. The residential buildings subsector also posted a steady growth, supported by continued demand for affordable housing and government initiatives to promote home ownership. In addition, the specialised construction activities subsector recorded stable growth, driven by telecommunications infrastructure projects and coastal reclamation activities. The civil engineering subsector sustained its positive performance, underpinned by ongoing works on infrastructure projects, such as the Pan Borneo Highway Sabah and Rapid Transit System Link (RTS Link).

For the rest of 2025, the sector is expected to grow by 7.3%. The civil engineering subsector is anticipated to expand, supported by continued rollout of large-scale public infrastructure projects towards the end of the Twelfth Malaysia Plan, 2021 – 2025 period. Ongoing projects, including the Sarawak Sabah Link Road (SSLR), will continue to drive momentum in the subsector. The non-residential buildings subsector will continue to gain from investment in commercial and industrial facilities, including data centres development in Johor and Selangor. In addition, the residential buildings subsector growth is expected to be bolstered by new launches in the affordable and mid-market housing as well as integrated township development in key growth corridors amid favourable financing conditions. Overall, the construction sector is projected to record a steady growth of 10.1% for 2025.

The construction sector is expected to remain stable in 2026 by recording a growth of 6.1%, underpinned by positive performance across all subsectors. The realisation of approved strategic investments under national policies and commencement of projects under the Thirteenth Malaysia Plan, 2026 – 2030 ("**Thirteenth Malaysia Plan**"), will further support the sector's performance. Within the subsectors, major infrastructure and utilities development such as LRT Mutiara Line, Hybrid Hydro Floating Solar (HHFS) and ASEAN Power Grid will steer the civil engineering subsector's performance. In addition, the non-residential buildings subsector is anticipated to be driven by sustained demand for industrial facilities, logistics hubs and data centres, in line with the expansion of high technologies as well as digitalisation. Meanwhile, the residential buildings subsector is expected to benefit from government-led affordable housing programmes and targeted home ownership initiatives supported by policy measures under the Thirteenth Malaysia Plan as well as new projects by private sectors. On the other hand, specialised construction activities subsector is projected to grow in tandem with other subsectors' performance supported by sustained demand for site preparation, mechanical and electricals, as well as finishing works.

(Source: Economic Outlook 2026, Ministry of Finance of Malaysia)

The value of work done in the construction sector amounted to RM47.8 billion in the second quarter of 2026, continued its steady growth of 8.8 per cent (Q1 2026: 8.5%). The performance was mainly driven by the continued expansion in the special trade activities and non-residential buildings sub-sectors, which recorded double-digit growth of 17.6 per cent and 13.3 per cent, respectively. The residential buildings sub-sector also registered an increase of 8.7 per cent, followed by the civil engineering sub-sector with a growth of 2.7 per cent.

The civil engineering sub-sector was the main contributor to the total value of work done in this quarter, amounting to RM16.7 billion (share: 35.0%). The performance was driven by the construction of utility projects (RM8.1 billion) and construction of roads and railways (RM6.9 billion). Meanwhile, the value of work done for the non-residential buildings and residential buildings sub-sectors recorded RM14.0 billion (share: 29.3%) and RM10.9 billion (share: 22.8%), respectively. The special trade activities sub-sector contributed RM6.2 billion (share: 12.9%), supported by sites preparation (RM1.5 billion), plumbing, heat and air-conditioning installation (RM1.3 billion) and electrical installation (RM1.3 billion).

The private sector remained the primary driver of growth in this quarter, contributing RM31.4 billion, or 65.8 per cent of the total value of work done. The private sector sustained its double-digit growth momentum, registering 11.4 per cent growth (Q1 2026: 13.2%), driven by strong performance in the special trade activities (20.2%) and non-residential buildings (18.2%) sub-sectors. Meanwhile, the value of work done by the public sector increased by 4.1 per cent (Q1 2026: 0.5%) to RM16.4 billion, accounting for 34.2 per cent of the total value. This increase was primarily supported by the special trade activities sub-sector (11.0%).

Summarising the performance of the construction sector for the first half of 2026, the value of work done reached RM94.3 billion, registering an 8.7 per cent increase compared with the same period in 2025. The growth was moderate compared with the 14.7 per cent recorded in the first half of 2025. The performance was supported by positive growth across all sub-sectors, particularly in special trade activities (21.0%) and non-residential buildings (13.0%).

(Source: Quarterly Construction Statistics, Second Quarter 2026, Department of Statistics Malaysia)

5.7 Overview and outlook of the property industry in Malaysia

The property market performance remained resilient amid global economic uncertainties in 2025, supported by stable Malaysian economic conditions and targeted government initiatives. A total 416,413 transactions worth RM241.87 billion were recorded, expanded by 4.1% in value, while volume experienced a slight decline of 1% compared to 2024. Of the total transactions, 79.2% (329,606 transactions) were transfers in 2025, 17.9% (74,458 transactions) were from 2024, and the remaining share consisted of transfers from 2023.

Sectoral market activity recorded mixed performance. All subsectors recorded year on-year growth in the volume of transactions except for residential and agriculture subsectors, which declined by 1.5% and 2.7%, respectively. Meanwhile, the industrial and commercial sub-sectors show modest growth of 1.4% each, driven by sustained nationwide demand.

In terms of value, all sub-sectors recorded growth except for agriculture. The industrial sub-sector led with an increase of 21.3%, followed by development land and others (17.2%), residential and commercial sub-sectors registered more moderate value growth of 1.3% and 1.1%, respectively.

The residential sub-sector, historically the largest segment of overall property transactions, continued to dominate the volume of transactions, with 61.6% of the total market activity. However, transaction values grew at a more moderate pace, contributing 44.8%, indicating stable pricing conditions. Demand was mainly driven by domestic buyers, with sustained interest concentrated in the affordable housing segment and lifestyle-oriented developments. Meanwhile, the commercial and industrial subsectors recorded lower transaction volumes, contributing 11.2% and 2.1%, but accounted for higher shares of transaction value with 24.3% and 14%, respectively.

By property type, demand remained strongest for terraced houses, which comprised 41.3% of total residential transactions. This was followed by vacant plots (18.1%), high-rise units (14.3%), low-cost houses/ flats (10.6%) and semi-detached houses (7.3%), with the remainder attributed to other property types. In terms of market segment, primary market transactions (purchases directly from developers) represented 15.5% of total, while the remaining 84.5% were secondary market transactions.

Residential demand largely driven by affordable segment. By price range, affordable houses priced RM300,000 and below dominated the market activities, making up 52.3% of total transactions. Middle range houses between RM300,001 and RM500,000 accounted for at 24.9%, followed by higher priced between RM500,001 and RM1 million at 16.9%. Houses above RM1 million represent a small portion at 5.9%.

The industrial sub-sector continued to strengthen, driven by growth in market activity. A total of 8,910 transactions worth RM33.8 billion were recorded, reflecting an increase of 1.4% in volume and 21.3% in value compared to 2024. The transactions value witnessed a notable growth, driven by sustained demand in high value segments, indicating growing investor confidence in strategic industrial locations. Growth in the industrial property market is fully supported by the New Industrial Master Plan 2030 (NIMP 2030) and the Thirteenth Malaysia Plan.

The property market's trajectory in 2026 is expected to remain resilient, underpinned by market activity, stable price movement and variation of construction activity. Residential demand is shifting toward more high value and affordable units. Nevertheless, the residential buildings subsector is anticipated to expand, driven by sustained demand for affordable housing as underlined by the Budget 2026. While policy support and selective demand drivers provide a foundation for stability, the broader outlook remains vulnerable to external economic shifts and domestic affordability constraints. Meanwhile, the non-residential subsector is projected to expand further, supported by strong demand for industrial facilities from the realisation of approved investments, coupled with the development of new industrial areas.

As the national economy is projected to expand by 4% to 4.5% in 2026, the property market is expected to maintain its modest growth trajectory with caution, considering global economic challenges, domestic demand fluctuations, and an unpredictable external risk. Budget 2026 will be instrumental in guiding the nation's economic trajectory and laying the pathway towards realising the targets set forth under the Thirteenth Plan. The implementation of the Ekonomi MADANI framework, supported by the rollout of strategies from a cohesive policy and action plan in the Budget 2026 and the Thirteenth Malaysian Plan, will boost Malaysia's economy and further drive growth in the property market. Furthermore, ongoing government support, coupled with Malaysia's strong economic performance, is expected to continue stimulating the expansion of the property market.

(Source: Malaysia Property Market Report 2025, National Property Information Centre (NAPIC))

5.8 Future prospects of Salutica Group

As set out in **Section 3** of this announcement, the Board has evaluated and proposed the Proposed Diversification as part of its longer-term strategy to improve the Group's overall financial performance and enhance sustainability moving forward. The Group will continue to focus on its existing Manufacturing Business, while progressively implementing the Proposed Diversification into the Property and Construction Business, subject to the relevant approvals being obtained.

Amidst a challenging business environment, the Group remains focused on its long-term strategies of product innovation and diversifying its customers and products to continue positioning itself as a one-stop solutions provider for their customers and leveraging on their proven track record, experience and technical capabilities to secure more business. By diversifying its product range, the Group is able to diversify its revenue stream and reduce its dependency on lifestyle electronic products which have a shorter product lifecycle as evident in securing a new customer for the manufacturing of data computing devices as well as ongoing projects in the coffee machine pod opener, handheld video game console and automotive tool for diagnostic businesses.

In line with its strategies to expand into high-growth segments such as automotive and medical, the Group has also obtained the International Automotive Task Force ("IATF") 16949 certification, a global technical specification and quality management standard for the automotive industry as well as International Organisation of Standardisation ("ISO") 13485 certification for medical devices. These certifications will enable the Group to pursue potential customers within the automotive and medical industry.

Furthermore, the Group's continuous pursuit in seeking improvement measures for technology, machinery and information technology systems are strategic investments in maintaining product excellence during the development of new products and manufacturing processes. The Group is also committed to nurturing its FOBO brand and exploring opportunities for further expansion.

In addition to its existing Manufacturing Business, and as set out in **Section 3** of this announcement, the Group proposes to diversify into the Property and Construction Business as a new business segment. The Board is of the view that the commencement of the Property and Construction Business, together with the Proposed Diversification, may strengthen the Group's future growth prospects by:-

- i. broadening the Group's revenue base by diversifying its income stream;
- ii. reducing the Group's reliance on the Manufacturing Business; and
- iii. expanding the Group into a new business segment that is expected to contribute positively to the Group's profitability.

Premised on the above, and barring any unforeseen circumstances, the Board is cautiously optimistic about the Group's future prospects. The Board is of the view that the continuation of the Manufacturing Business, together with the gradual implementation of the Proposed Diversification, may strengthen the Group's long-term growth prospects by broadening its income base, reducing reliance on a single business segment and enhancing long-term shareholder value.

(Source: Management of Salutica)

6. RISK FACTORS

6.1 Business diversification risk

Pursuant to the Proposed Diversification, the Group's business will be subject to risks inherent in the construction and property industries. These include, but are not limited to, competition from existing and established developers and contractors, changes in the demand and supply of properties and construction projects, fluctuations in building material and labour costs, delays in project approvals or completion, and changes in laws, regulations or policies affecting the construction and property industries.

Notwithstanding the above, the Board is of the view that the risks associated with the Proposed Diversification can be mitigated through careful financial management, the engagement of experienced management personnel and the adoption of efficient operational controls. The Group also intends to monitor market conditions, regulatory developments and project performance closely to ensure that its activities are aligned with prevailing industry trends and requirements.

However, there can be no assurance that the Group will be able to successfully mitigate the various risks inherent in the construction and property industries. If the Group is unable to do so, the business operations and financial performance of the Group may be adversely affected.

6.2 No prior exposure in the Property and Construction Business

The Group has no prior exposure to the Property and Construction Business, as its primary operations have historically been in the Manufacturing Business. Accordingly, the Property and Construction Business represents a new business segment for the Group.

To mitigate this, the Group has identified key management personnel to oversee the Property and Construction Business, as set out in **Section 3.1** of this announcement. The identified key management personnel possess relevant experience in engineering, M&E/ MEP coordination, construction project management, project planning and execution, site coordination and stakeholder liaison, which will support the Group in establishing, developing and implementing the Property and Construction Business. The Group may also engage external consultants, project managers, technical contractors, specialist advisors, and, where appropriate, enter into strategic partnerships or subcontract arrangements to supplement its in-house capabilities.

Notwithstanding these measures, there can be no assurance that such steps will be sufficient to address the risks associated with the Group having no prior exposure to the construction and property industries. If the Group is unable to build the required capabilities or to manage new projects effectively, its operations and financial performance may be adversely affected.

6.3 Dependency on key management personnel

The success of the Proposed Diversification will depend, to a significant extent, on the abilities, experience, competency and continued efforts of the key management personnel appointed to oversee the Property and Construction Business. The Group is reliant on these key management personnel to provide technical capabilities and operational oversight. The loss of any such personnel without suitable and timely replacement could materially affect the Group's ability to expand its Property and Construction Business and consequently, the Group's revenue and profitability.

Recognising the importance of retaining qualified and experienced key management personnel, the Group intends to adopt appropriate measures to attract and retain such individuals, including offering competitive remuneration packages and maintaining a conducive and professional working environment to retain talent and increase productivity. The Group also aims to gradually develop a broader pool of management and operational personnel to support business continuity and facilitate effective succession planning.

Notwithstanding the above, there can be no assurance that the Group will be able to retain or replace its key management personnel in a timely manner. The loss of any such personnel, or the inability to attract and retain additional qualified individuals, may have an adverse effect on the Group's Property and Construction Business and financial performance.

6.4 Competition risk

The construction and property industries in Malaysia are highly competitive and fragmented, comprising numerous established developers, contractors and material suppliers. As a new participant in these sectors, the Group may face challenges in competing for projects, securing suitable land or property-related opportunities for development or investment, achieving acceptable commercial terms for property management or rental-related activities, and maintaining competitive pricing against established players. In addition, competition in the trading of construction materials may intensify as market participants seek to capture demand arising from ongoing infrastructure and industrial development activities.

To remain competitive, the Group aims to adopt prudent project selection and cost management practices, maintain high standards of quality and reliability, and foster strong working relationships with clients, suppliers and project partners. The Group will also monitor market trends, property market conditions and industry developments closely to ensure that its strategies remain responsive to prevailing market conditions and demand.

6.5 Regulatory risk

The Property and Construction Business is subject to various laws, regulations and requirements imposed by governmental and regulatory authorities, including those relating to land use, planning approvals, construction permits, environmental compliance, safety compliance, and the employment of foreign workers. Further, certain activities within the trading of construction materials segment may require specific business registrations, import or distribution licenses, and adherence to product quality and safety standards.

As a new participant in these industries, the Group will be required to obtain and maintain all relevant approvals, permits and licenses (e.g. the Construction Industry Development Board Malaysia license) necessary for the commencement and continuation of the Property and Construction Business. The Group is also subject to potential changes in regulatory requirements from time to time, which may result in additional compliance obligations, delays in project implementation or increased operating costs.

To mitigate these risks, the Group intends to maintain ongoing engagement with relevant authorities, ensure timely submission and renewal of applications and comply with applicable regulatory requirements. Where necessary, the Group will seek advice from external professional advisers to ensure compliance with prevailing laws and regulations.

Nevertheless, there can be no assurance that the Group will be able to obtain or renew all necessary licenses, approvals and permits on a timely basis, or that new laws or regulations will not have a material impact on its operations. Any failure to comply with such requirements may adversely affect the Group's ability to undertake or complete its property development, construction or trading activities, and consequently impact its financial performance.

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the Group's issued share capital are as follows:-

		Minimum Scenario		Maximum Scenario	
		No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD		468,850,000	120,424,768	468,850,000	120,424,768
Treasury shares adjustment	shares	(3,000,000)	(984,500)	-	-
Issued share capital		465,850,000	119,440,268	468,850,000	120,424,768
Reduction of issued share capital pursuant to the Capital Reduction ^{*1}		-	(100,000,000)	-	(100,000,000)
Resultant issued share capital		465,850,000	19,440,268	468,850,000	20,424,768
After the Proposed Private Placement		139,755,000	16,071,825 ^{*2}	140,655,000	16,175,325 ^{*2}
Enlarged issued share capital		605,605,000	35,512,093	609,505,000	36,600,093

Notes:-

^{*1} On 21 May 2026, the Company proposed to undertake a reduction of RM100.00 million in its issued share capital pursuant to Section 116 of the Act ("**Capital Reduction**"). On 2 September 2026, the High Court of Malaya granted an order confirming the Capital Reduction. The sealed court order will be extracted and lodged with the Registrar of Companies, upon which the Capital Reduction will take effect. Accordingly, as at the LPD, the Capital Reduction had not yet been effected. Nevertheless, for the purposes of the pro forma illustration, the Capital Reduction has been assumed to have taken effect

^{*2} Computed based on the illustrative issue price of RM0.115 per Placement Share

The Proposed Diversification will not have any effect on the issued and paid-up share capital of the Company as the Proposed Diversification does not involve any issuance of securities.

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7.2 NA per Share and gearing level

Based on the latest audited statements of financial position of the Group as at 30 June 2025, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing level of the Group are set out as follows:-

Minimum Scenario

	Audited as at 30 June 2025 RM	I Subsequent adjustments up to the LPD ^{*1} RM	II After I and assuming the Capital Reduction is effected RM	III After II and the Proposals RM
Share capital	113,557,368	120,424,768	20,424,768 ^{*2}	36,496,593 ^{*3}
Treasury shares	(984,500)	(984,500)	(984,500)	(984,500)
Revaluation reserve surplus	12,557,080	12,557,080	12,557,080	12,557,080
Accumulated losses	(67,289,139)	(67,289,139)	- ^{*2}	-
Capital reserves	-	-	32,510,861 ^{*2}	32,339,861 ^{*4}
Shareholders' funds/ NA	57,840,809	64,708,209	64,508,209	80,409,034
No. of Shares*	424,500,000	465,850,000	465,850,000	605,605,000
NA per Share	0.14	0.14	0.14	0.13
Total borrowings	-	-	-	-
Gearing ratio (times)	-	-	-	-

Notes:-

* Excluding 3,000,000 treasury shares held by the Company as at the LPD

^{*1} After adjusting for the allotment and issuance of the remaining 41,350,000 new Shares out of the total 42,350,000 new Shares from 1 July 2025 up until the LPD at issue prices ranging from RM0.159 to RM0.191 pursuant to the Previous Private Placement

^{*2} After assuming the Capital Reduction of RM100.00 million have taken effect and after deducting estimated expenses pertaining to the Capital Reduction amounting to approximately RM0.20 million

^{*3} After the issuance of 139,755,000 Placement Shares at an illustrative issue price of RM0.115 per Placement Share

^{*4} After deducting estimated expenses of RM0.17 million in relation to the Proposals

Maximum Scenario

	Audited as at 30 June 2025 RM	I Subsequent adjustments up to the LPD ^{*1} RM	II After I and assuming all treasury shares are resold ^{*2} RM	III After II and assuming the Capital Reduction is effected RM	IV After III and the Proposals RM
Share capital	113,557,368	120,424,768	120,424,768	20,424,768 ^{*3}	36,600,093 ^{*4}
Treasury shares	(984,500)	(984,500)	-	-	-
Revaluation reserve surplus	12,557,080	12,557,080	12,557,080	12,557,080	12,557,080
Accumulated losses	(67,289,139)	(67,289,139)	(67,289,139)	- ^{*3}	-
Capital reserves	-	-	-	32,510,861 ^{*3}	32,339,861 ^{*5}
Shareholders' funds/ NA	57,840,809	64,708,209	65,692,709	65,492,709	81,497,034
No. of Shares	424,500,000*	465,850,000*	468,850,000	468,850,000	609,505,000
NA per Share	0.14	0.14	0.14	0.14	0.13
Total borrowings	-	-	-	-	-
Gearing ratio (times)	-	-	-	-	-

Notes:-

* Excluding 3,000,000 treasury shares held by the Company as at the LPD

^{*1} After adjusting for the allotment and issuance of the remaining 41,350,000 new Shares out of the total 42,350,000 new Shares from 1 July 2025 up until the LPD at issue prices ranging from RM0.159 to RM0.191 pursuant to the Previous Private Placement

^{*2} Assuming 3,000,000 treasury shares are resold in the open market at cost

^{*3} After assuming the Capital Reduction of RM100.00 million have taken effect and after deducting estimated expenses pertaining to the Capital Reduction amounting to approximately RM0.20 million

^{*4} After the issuance of 140,655,000 Placement Shares at the illustrative issue price of RM0.115 per Placement Share

^{*5} After deducting estimated expenses of RM0.17 million in relation to the Proposals

Barring any unforeseen circumstances, the Proposed Diversification is not expected to have any immediate material effect on the NA and gearing level of Salutica Group for the FYE 31 December 2026. However, the earnings to be derived from the Property and Construction Business may have a positive impact on the future NA of Salutica Group.

7.3 Earnings and earnings per Share ("EPS")

The Proposals are not expected to have any immediate material effect on the earnings of the Group for the FYE 31 December 2026.

Upon completion of the Proposed Private Placement, the EPS is expected to be correspondingly diluted due to the increase in the number of Shares in issue arising from the Proposed Private Placement.

Nevertheless, barring any unforeseen circumstances, the Proposals are expected to contribute positively to the future earnings and EPS of Salutica Group upon the realisation of the benefits to be derived from the utilisation of the proceeds to be raised from the Proposed Private Placement, as set out in **Section 2.6** of this announcement, as well as the anticipated growth of the Property and Construction Business.

7.4 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

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7.5 Substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve the issuance of new Salutica Shares.

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Chuah Chong Ewe	145,000,000	31.13	-	-	145,000,000	23.94	-	-
Cheong Siew Chyuan	19,369,300	4.16	16,130,700 ^{*4}	3.46	19,369,300	3.20	16,130,700 ^{*4}	2.66
Fortune Innovative VCC Sub-Fund GEMS High Yield Investment Fund	23,452,400	5.03	-	-	23,452,400	3.87	-	-

Notes:-

^{*1} Assuming the Proposed Private Placement does not give rise to any new substantial shareholder(s)

^{*2} Based on the total issued Shares of 465,850,000 (excluding treasury shares) as at the LPD

^{*3} Based on the enlarged issued Shares of 605,605,000 (excluding treasury shares) after the Proposed Private Placement

^{*4} Deemed interested pursuant to Section 8 of the Act by virtue of his spouse's shareholdings in the Company

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Maximum Scenario

Substantial shareholders	Shareholdings as at the LPD				I Assuming all treasury shares are resold			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	No. of Shares	% ^{*3}
Chuah Chong Ewe	145,000,000	31.13	-	-	145,000,000	30.93	-	-
Cheong Siew Chyuan	19,369,300	4.16	16,130,700 ^{*5}	3.46	19,369,300	4.13	16,130,700 ^{*5}	3.44
Fortune Innovative VCC Sub-Fund GEMS High Yield Investment Fund	23,452,400	5.03	-	-	23,452,400	5.00	-	-
II After I and the Proposed Private Placement ^{*1}								
	<-----Direct----->		<-----Indirect----->					
	No. of Shares	% ^{*4}	No. of Shares	% ^{*4}				
Chuah Chong Ewe	145,000,000	23.79	-	-				
Cheong Siew Chyuan	19,369,300	3.18	16,130,700 ^{*5}	2.65				
Fortune Innovative VCC Sub-Fund GEMS High Yield Investment Fund	23,452,400	3.85	-	-				

Notes:-

^{*1} Assuming the Proposed Private Placement does not give rise to any new substantial shareholder(s)

^{*2} Based on the total issued Shares of 465,850,000 (excluding treasury shares) as at the LPD

^{*3} Based on the enlarged issued Shares of 468,850,000 after assuming all treasury shares are resold

^{*4} Based on the enlarged issued Shares of 609,505,000 after the Proposed Private Placement

^{*5} Deemed interested pursuant to Section 8 of the Act by virtue of his spouse's shareholdings in the Company

8. APPROVALS REQUIRED

The Proposals are subject to the following approvals:-

- i. Bursa Securities, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- ii. shareholders of Salutica at an EGM to be convened; and
- iii. any other relevant authority, if required.

The Proposed Private Placement and Proposed Diversification are not inter-conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders, chief executive of Salutica and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, including but not limited to the rationale, risk factors and the pro forma effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed by the second quarter of 2027 and the Proposed Diversification shall take immediate effect upon obtaining the approval of the shareholders of Salutica at an EGM to be convened.

12. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals shall be made within 2 months from the date of this announcement.

13. PRINCIPAL ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the principal adviser for the Proposals and placement agent for the Proposed Private Placement.

This announcement is dated 7 October 2026.

ADDITIONAL INFORMATION

1. Financial performance and financial position of Salutica Group

The audited financial information of Salutica Group for the past 3 financial years up to the FYE 30 June 2025 is set out below:-

	<-----Audited FYE 30 June----->		
	2023	2024	2025
	RM'000	RM'000	RM'000
Revenue	63,853	21,328	20,250
PBT/ (LBT)	(21,437)	(43,119)	(29,760)
PAT/ (LAT) attributable to the owners of the Company	(28,532)	(43,119)	(29,760)
Earnings/ (Loss) per Share (sen)	(6.74)	(10.18)	(7.01)
Cash and bank balances	6,339	5,740	4,077
Total borrowings	5,466	2,015	-
Shareholders' equity/ NA	117,968	74,849	57,841
Net cash from/ (used in) operating activities	5,730	(11,140)	(16,906)
Number of Shares in issue (excluding treasury shares) ('000)	423,500	423,500	424,500
NA per Share (RM)	0.28	0.18	0.14
Gearing ratio (times)	0.05	0.03	-
Current ratio (times)	3.64	3.16	1.94

FYE 30 June 2023 vs FYE 30 June 2024

Salutica Group recorded revenue of RM21.33 million for the FYE 30 June 2024 which represents a decrease of RM42.52 million or 66.59%, as compared to RM63.85 million recorded for the FYE 30 June 2023. The lower revenue recorded was mainly due to lower order volumes for the Group's existing products, as numerous new projects remained at the development stage and had yet to contribute materially to the Group's revenue.

Salutica Group also registered a LAT of RM43.12 million for the FYE 30 June 2024 which represents an increase of RM14.59 million or 51.14% as compared to the LAT of RM28.53 million recorded for the FYE 30 June 2023. The increase in LAT recorded was mainly due to lower order volume from the Group's existing products, which resulted in higher line set-up costs due to the under-utilisation and lack of optimisation of the production lines arising from the lower production volume, as well as the inefficient absorption of fixed overheads due to the lower revenue recorded. In addition, the Group recognised an allowance for impairment loss on trade receivables amounting to RM7.88 million, incurred legal fees of RM1.95 million in relation to the ongoing court cases, and recognised an impairment loss on property, plant and equipment amounting to RM9.34 million. The increase in loss was also affected by expenditure incurred for the development of the Group's in-house FOBO brand amounting to RM0.88 million and expenditure incurred to achieve IATF compliance amounting to RM0.24 million. Nevertheless, the impact of the above factors on the Group's LAT was partially mitigated by a government grant amounting to RM1.07 million received by the Group in October 2023.

FYE 30 June 2024 vs FYE 30 June 2025

Salutica Group recorded revenue of RM20.25 million for the FYE 30 June 2025 which represents a decrease of RM1.08 million or 5.06%, as compared to RM21.33 million recorded for the FYE 30 June 2024. The lower revenue recorded was mainly due to lower sales order volumes for products under mass production, coupled with prolonged development activities for the coffee machine and automotive diagnostic tool projects, arising from changes in customers' design requirements.

Salutica Group also registered a LAT of RM29.76 million for the FYE 30 June 2025 which represents a decrease of RM13.36 million or 30.98% as compared to the LAT of RM43.12 million recorded for the FYE 30 June 2024. The decrease in LAT recorded was mainly due to the absence of an allowance for impairment loss on trade receivables amounting to RM7.88 million and an impairment loss on property, plant and equipment amounting to RM9.34 million, both of which were recognised in the FYE 30 June 2024.

ADDITIONAL INFORMATION (CONT'D)

2. Value creation and impact of the Proposals to the Group and its shareholders

As outlined in **Section 4** of this announcement, the Board, after due consideration of various fund raising methods, is of the view that the Proposed Private Placement is the most appropriate avenue for raising funds after considering the following:-

- i. the Proposed Private Placement will allow Salutica to raise additional funds to fund the Group's business expansion in the Property and Construction Business and the Manufacturing Business as highlighted in **Section 2.6** of this announcement without incurring interest costs or servicing additional principal payments, thereby minimising potential cash outflows related to interest servicing costs and principal repayments; and
- ii. the Proposed Private Placement will strengthen the financial position of the Group by increasing the capital base of the Company, thereby enabling it to capitalise on new growth opportunities and maintain financial resilience.

As set out in **Section 7.1** of this announcement, the Proposed Private Placement will result in an enlarged share capital of 605,605,000 Shares under the Minimum Scenario, or 609,505,000 Shares under the Maximum Scenario, representing an increase from the 468,850,000 issued Shares (including 3,000,000 treasury shares) as at the LPD.

The Proposed Private Placement is also expected to improve the Group's NA position and gearing level. Based on the Group's audited financial statements as at 30 June 2025, the Group's NA is expected to increase from RM57.84 million to RM80.41 million (under the Minimum Scenario) or RM81.50 million (under the Maximum Scenario) upon completion of the Proposed Private Placement. For the avoidance of doubt, the Group had no bank borrowings as at 30 June 2025 and, accordingly, its gearing ratio was nil.

While the Proposed Private Placement is not expected to have a material effect on the earnings of the Group for the FYE 31 December 2026, the EPS of the Group is expected to be diluted due to the increase in the number of issued Shares arising from the Proposed Private Placement. Nevertheless, and barring any unforeseen circumstances, the proceeds from the Proposed Private Placement are expected to contribute positively to the Group's future earnings when utilised for the purposes set out in **Section 2.6** of this announcement.

Further, the Board is of the view that it is in the best interest of the Group to expand its earnings base by diversifying into the Property and Construction Business, in order to reduce its reliance on its existing Manufacturing Business. In addition, by leveraging on the experience and expertise of Mr Chuah, Mr Lim and Ms Ameera as highlighted in **Section 3.1** of this announcement, and also recruiting additional management personnel with relevant experience to undertake various roles in the Property and Construction Business, as and when required, the Board believes that the Group will have the capacity, capability and resources to diversify into this business, which is expected to contribute positively to the Group's future earnings potential moving forward.

The Proposed Diversification will not have any effect on the issued and paid-up share capital of the Company as the Proposed Diversification does not involve any issuance of securities. Further, the Proposed Diversification is not expected to have any immediate material effect on the NA, gearing level and earnings of Salutica Group for the FYE 31 December 2026. Nevertheless, and barring any unforeseen circumstances, the earnings to be derived from the Property and Construction Business may have a positive impact on the future NA and earnings of Salutica Group.

ADDITIONAL INFORMATION (CONT'D)

3. Adequacy of the Proposals in addressing the Group's financial concerns

The Board is of the view that the primary financial concerns of Salutica Group are the funding requirements of the Group as highlighted in **Section 2.6** of this announcement. The Proposed Private Placement will enable the Group to achieve the following objectives:-

- i. fund the Group's proposed expansion into the Property and Construction Business, which will provide the Group with an additional business segment and enable the Group to pursue suitable property development and construction opportunities;
- ii. provide additional funding for the Group's business expansion of its Manufacturing Business, to expand its production capacity and support its ongoing operational and project requirements, including the procurement of raw materials, upkeeps and maintenance as well as other administrative expenses;
- iii. enhance the financial position of the Group, as illustrated in **Section 7.2** of this announcement; and
- iv. maintain flexibility over the Group's cash flow funding for its business operations without being over reliant on bank borrowings.

At this juncture, the Board is of the opinion that the Proposed Private Placement is sufficient to address the immediate financial needs and specific funding gaps of the Group. As set out in **Section 2.6** of this announcement, the proceeds raised from the Proposed Private Placement are intended to fund the business expansion of the Property and Construction Business and existing Manufacturing Business. The proceeds allocated for business expansion of the Property and Construction Business will principally be utilised to fund the working capital and project-related expenses of the property development and construction projects to be undertaken by the Group, while the proceeds allocated for business expansion of the Manufacturing Business will be utilised for the expansion of its production capacity and supporting the working capital requirements. The management of the Company will review and assess the Group's funding requirements from time to time and allocate the proceeds accordingly to support its existing operations and proposed business expansion. The proceeds raised from the Proposed Private Placement serves as a measure to meet Salutica Group's immediate funding needs in the short-term without relying on conventional debt financing so as to not incur additional interest costs or service additional principal payments, which may affect its financial performance moving forward.

Further, as set out in **Section 3** of this announcement, the Group's revenue is currently derived from its Manufacturing Business, which has been loss making over the financial years/ periods under review. The Proposed Diversification helps to expand and strengthen the earnings base of the Group in the long-term, whereby the potential earnings contribution from the Property and Construction Business may provide an additional income stream, which will reduce the Group's reliance on the contribution from its Manufacturing Business.

Premised on the above and after taking into consideration the proposed use of proceeds from the Proposed Private Placement, the outlook for the construction and property industries in Malaysia as highlighted in **Sections 5.6 and 5.7** of this announcement, as well as the effects of the Proposals as highlighted in **Section 7** of this announcement, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fund raising at this juncture to address the Group's short-term financing needs and it will continue to explore and evaluate other suitable funding for the Group's long-term financial requirements should the need arises.

ADDITIONAL INFORMATION (CONT'D)

4. Steps or actions taken to improve the financial condition of the Group

During the financial years/ periods under review, the Group's financial performance was adversely affected by lower order volumes for its existing products, coupled with delays in the development and commercialisation of new projects, which resulted in lower revenue and under-utilisation of its production facilities. The lower production volume also led to higher line set-up costs and inefficient absorption of fixed overheads, thereby putting further pressure on the Group's profitability.

To address the Group's financial concerns, the management is carrying out the implementation of cost rationalisation exercises in its Manufacturing Business to review and address recurring administrative and other operating expenses in the Group's business. This includes amongst others, the reduction of staff cost, repair and maintenance and office administrative expenses, as means to optimise working capital efficiency. The management anticipates that such on-going cost rationalisation exercises should optimise the Group's allocation of resources and improve the financial condition of the Group moving forward.

In addition to the cost rationalisation exercises described above, the Company have undertaken several initiatives to improve the Group's financial condition, which includes, amongst others:-

- i. as set out in **Section 5.8** of this announcement, the Group aims to continue diversifying its revenue base to reduce its dependency on lifestyle electronic products. The Company had procured orders from new customers from the handheld video game console, coffee machine pod opener and automotive tool for diagnostics businesses;
- ii. with the IATF 16949 and ISO 13485 certification, the Group was able to attract interest from new customers operating in the automotive industry and medical industry; and
- iii. the Group has been focusing on the development and expansion of "FOBO", its home-grown brand. In particular, the FOBO bike has received positive market feedback and contributed to the growth of the FOBO brand. For the FYE 30 June 2025, products under the FOBO brand contributed 22.56% of the Group's overall revenue.

To complement these efforts, the Group continues to explore and evaluate other strategic partnerships and alliances that could further strengthen its financial position and market presence. These partnerships are expected to bolster the Group's ability to secure and execute large-scale projects. The Group will also continue to maintain and strengthen existing business relationships and establish relationship with new customers to expand its network. Further, as part of the Group's strategic plan to diversify into other viable businesses to expand the earnings base of the Group in the long-term, the Proposed Diversification is expected to improve shareholders' value as the contribution from the Property and Construction Business is expected to strengthen the Group's earnings base while reducing the Group's reliance on its Manufacturing Business. The Board is of the opinion that these efforts are expected to improve the Group's financial condition.

Barring any unforeseen circumstances, the Board is of the view that the Proposals and the abovementioned steps may improve the Group's financial performance moving forward, and place the Group on a stronger financial footing and support its strategic goals. Nevertheless, the Board will continue to evaluate the Group's financial performance, and will consider undertaking future corporate exercises if there is a need/ opportunity that arises. Should the Board identify any suitable and viable corporate exercises, the Board shall make the requisite announcements and/ or seek shareholders' approval in accordance with the Listing Requirements.

(Source: Management of Salutica)