

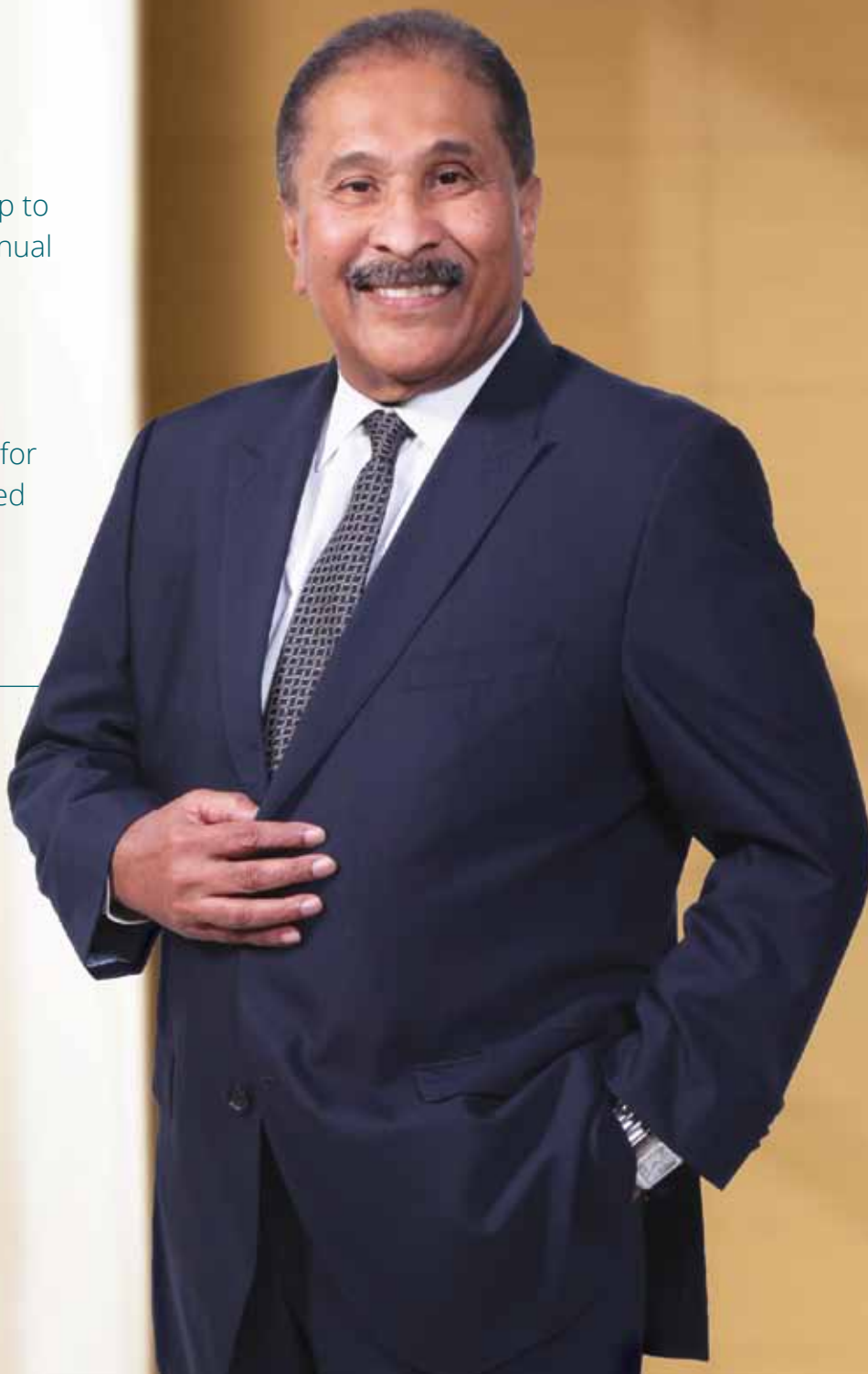
Chairman's Statement

DEAR VALUED SHAREHOLDERS,

It is my honour as the Chairman of the Group to present to you the Annual Report and Audited Financial Statements of Salcon Berhad ("Company") and its subsidiaries ("Group") for the financial year ended 31 December 2019 ("FYE 2019").

TAN SRI ABDUL RASHID BIN ABDUL MANAF

*Chairman, Independent
Non-Executive Director*



Chairman's Statement

The Financial Year 2019 ("FY 2019") was a tough year for the Group as our performance was largely impacted by a challenging operating landscape. As we acknowledge these adversities, the Group maintains a prudent and cautious approach through various cost optimisation and portfolio rationalisation strategies. The Group's 2019 financial results and segmental performance are further detailed in the Management Discussion & Analysis section of this Annual Report.

REWARDING SHAREHOLDERS

Despite the challenging times, the Group remains committed to enhancing value for our shareholders.

I am pleased to announce that the Board has recommended a first and final single tier dividend of every (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of FYE 2019. The dividends will be paid by way of distribution of in specie of shares.

BUILDING LONG TERM SHAREHOLDER VALUE

In the past year, the slowdown in China as a result of trade tensions, low oil and commodity export prices have adversely affected Malaysia's economy, putting pressure on the country's finances. The on-going COVID-19 pandemic has caused major business disruptions due to the Movement Control Order (MCO) imposed to curb its spread. This is expected to reduce Malaysia's economic growth to an estimated -1.5% in 2020.

As the business landscape continues to be surrounded by external challenges, the Group is steadfast in growing long term shareholders value to better position itself in the current market conditions. Consistent with our new vision "To be a respected and synergistic corporation transforming lives for the better", the Group continues to explore diverse business opportunities by focusing on strategic growth drivers, guided by our established governance and risk management framework to safeguard and address the interests of all stakeholders.

The Group's investments and synergistic opportunities in technology services via Volksbahn Technology (M) Sdn Bhd and transportation services through Eco-Coach & Tours (M) Sdn Bhd have begun to bear fruits and have contributed positively during the year under review. In the medium to long term, we expect these 2 businesses to contribute more significantly to the Group's operating profit.

In the water and wastewater market in Malaysia, investments by the Government are driven by increasing water supply coverage in rural areas, especially in Kelantan, Sabah and Sarawak, which have the lowest coverage in the country. Whilst in the Klang Valley, key drivers are the upgrading of ageing water distribution infrastructure to reduce Non-Revenue Water (NRW) and increase water reserve margins. The Group is rigorously tendering for water and wastewater projects in Malaysia as well as overseas in Sri Lanka and Vietnam as it focuses on increasing its order books in the Engineering & Construction division.

While there are certainly challenges ahead, the Group will continue to look for growth opportunities while managing costs to ensure the viability of the business. Building on our strengths, we are optimistic that the Group's long-term prospects remain positive.

FORGING A STRONGER SUSTAINABILITY FOOTPRINT

In line with the Group's new Vision, Mission and revised Core Values which encompass all our business activities, our new Sustainability

Framework is committed "To transform lives for the better" where we aim to enrich lives by acting sustainably - balancing the social, environmental and economic aspects to make a positive difference to individuals, society and the environment.

During the FY 2019, the Group was included in the FTSE4Good Bursa Malaysia Index for the fifth consecutive year and won numerous sustainability awards. The Group's sustainability journey and commitment to integrating sustainability practices and community initiatives into all aspects of our operations can be found in the Sustainability Statement section in this Annual Report.

BOARD CHANGES & ACKNOWLEDGEMENTS

On behalf of the Board, I am pleased to welcome the first female Non-Independent Non-Executive Director to the Board, Datin Goh Phaik Lynn. Datin Goh's background and experience will expand the diverse viewpoints of our Board and her valuable expertise and professionalism will certainly be an asset to the Group.

I would like to take this opportunity to express my sincere appreciation to our Board members for guiding the Group through this challenging year. Also, sincere gratitude as well to our capable management team and employees for their continued dedication to the success of the Group.

Tan Sri Abdul Rashid bin Abdul Manaf
Chairman, Independent Non-Executive Director