

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors' of Salcon Berhad ("Company"), I am pleased to present the Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group"), for the financial year ended 31 December 2020 ("FYE2020").



The year under review was yet another highly challenging year for us as we continue to strive to create value amidst an increasingly demanding local economic and political environment. Globally, the COVID-19 pandemic has had a significant impact on people and economies worldwide; the Group included. In this economic environment, the Group exercised financial prudence and tightened operating costs whilst staying the course in executing our action plan to deliver sustainable, profitable and socially beneficial outcomes through our sector leadership. As a result, the Group strengthened its financial position in FYE2020 to narrow its losses compared to the previous year.



Please refer to the Performance Review in Management Discussion and Analysis on page 30.

MAXIMISING SHAREHOLDERS' VALUE

Despite the emergency declaration and Movement Control Order ("MCO") 2.0 enforcement, Malaysia's Gross Domestic Product is expected to grow between 6.0% and 7.5% in 2021, after a

5.6% contraction in 2020, driven by the anticipated improvement in global growth and international trade.

Notwithstanding the volatilities in the economy, the Group remains steadfast in our commitment to grow and maximise shareholder value through a resilient business model which builds on four (4) elements 1) Strong and effective Board and leadership team, 2) People - Attracting and retaining employees with alignment to the Company's values, purpose, and sustainability impacts 3) Process - Ensuring that Enterprise Risk Management (ERM) processes fully consider sustainability challenges such as climate resilience, natural resource availability, and social volatility and 4) Product - Generating revenue growth by developing products, services, and solutions that meet sustainability needs, and viewing the sustainability challenge not as a risk to be mitigated, but as a driver of innovation for new products, services, and technologies.



Please refer to page 52 for more information.

STRATEGIC EXPANSIONS

In line with our strategy to maximise shareholder value, the Group undertook the acquisition of a 51% stake in JR Engineering and Medical Technologies (M) Sdn Bhd ("JR"), a glove manufacturing company which comes with a Profit Guarantee of RM10 million per annum in JR for the financial year 1 January to 31 December for years ending 2021, 2022 and 2023. Besides this, the Group also inked three solar power purchase agreements with HeveaPac Sdn Bhd ("HeveaPac") through its subsidiary, Satria Megajuta Sdn Bhd. The project is expected to be fully operational by the first half of 2021 and will contribute an additional stream of sustainable recurring income to the Group.

In the water and wastewater landscape in Malaysia, following the easing of the MCO 1.0, the Group's constructions activities have picked up pace and prospects in the water and wastewater sector remains resilient as the federal government continues to make huge investments to improve the water quality and services in the country, especially the rural areas. Under the 12th Malaysia Plan which is to be tabled in 2021, Environment and Water Minister, Datuk Tuan Ibrahim Tuan Man has reported that RM10 billion will be set aside to improve the nation's water supply network.

The Group's investments and synergistic opportunities in technology services via Volksbahn Technologies 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.

Both business expansions in JR and HeveaPac are well-aligned with Salcon's strategy of growth and diversification to build a resilient business model. The resulting significant synergies,

and enlarged market presence will strengthen the Group's growth profile and bring greater long-term value to our stakeholders. With these measures in place, we are confident that the Group's management team will be able to continue to steer our ship on an even keel.

CREATING VALUE THROUGH SUSTAINABILITY

The Group is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in whilst upholding our mission of providing top quality products and services.

Salcon's value creation model encapsulates our commitment to create inclusive and sustainable value over the long-term by thinking holistically about our strategy and plans, making informed decisions and managing key risks and opportunities to build investor and stakeholder confidence and improve future performance. The Group's value creation strategy integrates the Sustainable Development Goals (SDGs) in our business operations to uphold our vision of 'transforming lives for the better' and ensuring a more equitable future for all.



Please refer to value creation model on page 18.

I am pleased to announce that the Group has been included in the FTSE4Good Bursa Malaysia Index for the 6th consecutive year. Additionally, the Group's leadership in sustainability reporting and its commitment to creating long-term value for stakeholders was recognised at the 2019 Asia Sustainability Reporting Awards in the Asia Best Sustainability Report (SME) category.

DELIVERING VALUE TO SHAREHOLDERS

For FYE2020, we are pleased to announce that the Board of Directors has recommended a first and final single tier dividend comprising one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the FYE2020.

GOING FORWARD

We acknowledge that the uncertainty in the economic environment that we are in have impacted our operations and financial performance. Nevertheless, the Group remains committed to deliver sustainable growth and building a stable earnings stream by diversifying our business portfolio. The Group expects to potentially benefit from a recovery in earnings prospects as it diversifies into a lucrative growth segment. We shall remain steadfast in overcoming the challenges and to remain competitive in the market by undertaking the relevant mitigation strategy and plans to bring sustainable values to our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our deepest appreciation and gratitude to our capable and reliable management team and staff, for their continuous dedication, commitment and support in executing our business objectives throughout the year, and remaining resolute especially during the MCO period where various austerity measures had to be introduced to preserve business continuity. My gratitude also goes to our customers, business partners, suppliers, government authorities and regulators for their confidence and continued co-operation in furthering our business growth.

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