

**SALCON BERHAD (“SALCON” OR “THE COMPANY”)**

**NOTICE TO COMMENCE ARBITRATION PROCEEDINGS BY SALCON MMCB AZSB JV SDN BHD AGAINST PENGURUSAN ASET AIR BERHAD**

We refer to our announcements of 17 April 2014 and 26 August 2020. Unless otherwise stated, the abbreviations used in this announcement shall have the same meaning as set out in the earlier announcements.

Salcon wishes to announce that SMAJV had, on 25 September 2020, been informed by its solicitors that PAAB had served its Response to SMAJV’s Arbitration Notice dated 26 August 2020 (“**Response to Arbitration Notice**”).

Under the Response to Arbitration Notice, PAAB counterclaims a sum of RM63,030,664.84 against SMAJV for alleged breaches relating to the works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur (collectively referred to as “**PAAB’s Counterclaim**”).

PAAB’s Counterclaim is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2020. PAAB’s Counterclaim is also not expected to have material operational impact on Salcon Group.

Salcon will make further announcements if there are any material developments on the above matter.

This announcement is dated 28 September 2020.