

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 announcement of 17 April 2014. Unless otherwise stated, the abbreviations used in this announcement shall have the same meaning as set out in the announcement of 17 April 2014.

Salcon wishes to announce that Salcon MMCB AZSB JV Sdn Bhd [201401011967 (1088044-T)] (“**SMAJV**”), had on 26 August 2020 issued a notice to commence arbitration proceedings (“**Arbitration Notice**”) against Pengurusan Aset Air Berhad (“**PAAB**”).

Pursuant to the Arbitration Notice, SMAJV claims a sum of RM85,912,482.14 against PAAB for, among others, loss and expense claims, claims for works done under variation orders, release of retention sum and unilateral deduction by PAAB on payments due to SMAJV as at the date of the Arbitration Notice, subject to further quantification of further losses suffered by SMAJV (collectively referred to as “**Claims**”). The Claims relate to 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.

The arbitration proceedings commenced by SMAJV 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. The arbitration proceedings is also not expected to have material operational impact on Salcon Group.

None of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the aforesaid proceedings.

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

This announcement is dated 26 August 2020.