



**STRIVE FOR
A BETTER
FUTURE**

Annual Report 2019

OUR VISION



To be a respected and synergistic corporation **transforming lives for the better.**

OUR MISSION



To **enrich lives** by providing top quality products and services through operational excellence and sustainability.





Commitment

We deliver consistent and high quality products and services through the most efficient use of resources



Ownership

We take full responsibility and accountability for all our actions



Teamwork

We believe that unified efforts bring about greater synergy and productivity in our pursuit of excellence



Result Oriented

We strive towards maximising stakeholders' values and returns



Respect

We respect our employees regardless of gender, race or religion and inspire them to be their best

CORE VALUES

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STRIVE FOR A BETTER FUTURE

This covers portrays Salcon's capabilities in providing multiple services in water and wastewater, property development and technology sectors. Being a Company with diversified businesses, Salcon will continue to leverage on its strengths to develop sustainable solutions to support the growth of the communities.



View our Annual Report PDF online version at
<https://www.salcon.com.my/investor-relations/Company-Report/annual-report.html>

Facts at a Glance



BUSINESS OPERATIONS

Established
1974

>5,000 MLD
Total water treatment capacity successfully delivered

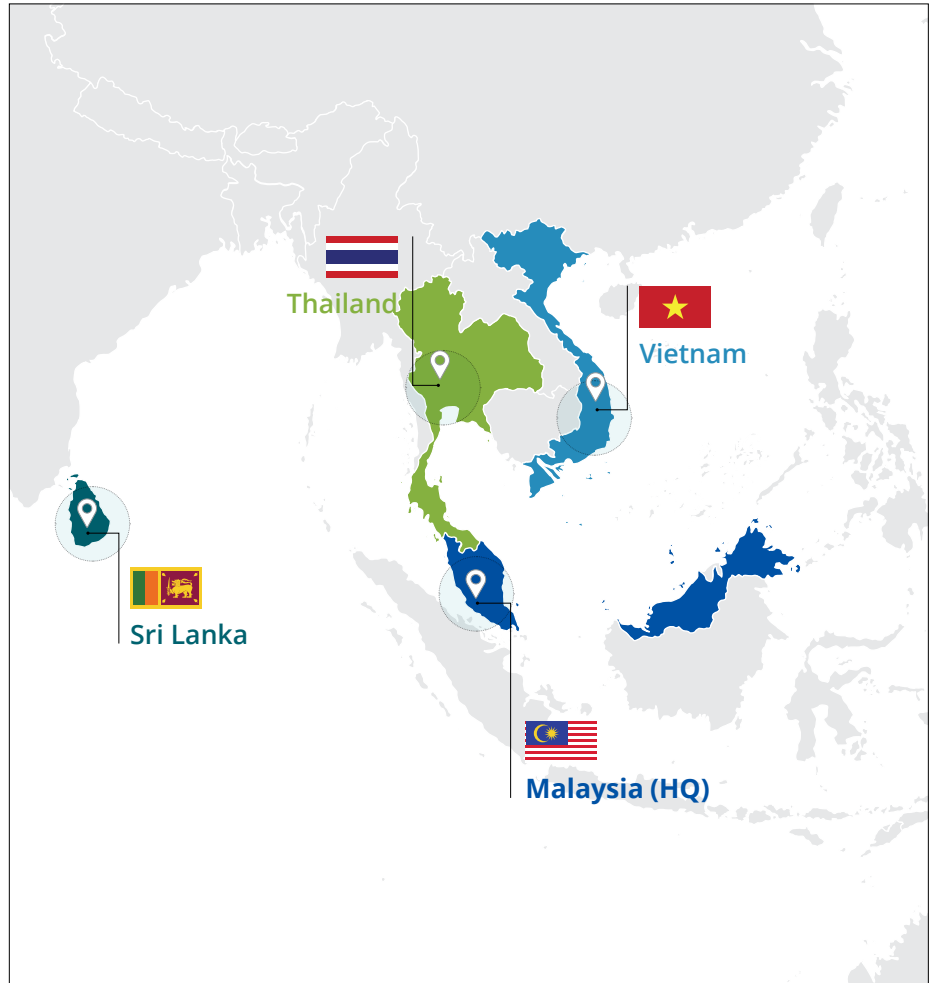
>1,000
Water and wastewater projects completed

376
Employees in all operations
(as at 31 December 2019)

23
Awards and Recognitions

5th
Consecutive year recognised under FTSE4Good Bursa Malaysia Index

GEOGRAPHICAL PRESENCE



SEGMENTAL REVENUE (RM'000)



Engineering & Construction

163,455



Trading & Services

19,181



Property Development

7,773



Concessions

883

Our Business

Salcon Berhad (“Salcon” or the “Company”) was listed on the Main Market of Bursa Malaysia Securities Berhad in 2003 as a leading water and wastewater engineering company, with focus on the investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities across Asia.

The company has successfully completed more than 1,000 water and wastewater projects and enjoys unparalleled reputation as a reliable and capable company in the industry. Salcon was the lead consortium partner in the first water privatisation project in Malaysia. Subsequently we have expanded beyond our national boundary, having participated in various projects throughout the Asian region including Sri Lanka, China, Thailand and Vietnam.

Today, Salcon takes pride as a sustainable organisation with portfolio diversification into technology services, transportation, property development and other businesses with the objective of enhancing long-term shareholders’ value.

The company’s investment in technology services via Volksbahn Technologies Sdn Bhd (“VBT”) holds much promise in a growing and thriving industry where infrastructure and mobile network needs are expected to grow and mobile broadband in particular, is seen as a growth driver in the local telecom industry. Salcon looks forward to pioneering smart city implementations and operations which focus on

sustainable outcomes for citizens, municipal authorities and delivery partners.

Eco Coach & Tours Sdn Bhd (“Eco-Coach”) became a Salcon subsidiary in 2011 as part of our diversification strategy under the transportation portfolio. Eco-Coach is committed to provide transport services to multinational companies such as Intel, Western Digital Media in the northern region Malaysia.

Salcon embarked on into the property development business in 2013 with its maiden project, Rés 280 in the fast-developing and vibrant township of Selayang, Selangor. In the current market conditions, the company is currently re-strategising its property development plans and will continue to look for opportunities for growth.

Through the years, Salcon’s evolution has been the result of its unwavering focus on its competencies, diversification into strategically related businesses and expansion into new markets. Moving forward, we will continue to reassess our strength to elevate our business growth and sustainability to achieve greater heights.



Our Business

WATER AND WASTEWATER ENGINEERING

Salcon provides a wide range of water and wastewater treatment solutions across the globe.

The water division provides customised and comprehensive integrated solutions from raw water management, design, construction and maintenance of water treatment facilities including downstream activities such as non-revenue water reduction, customer service, billings and collection.

Please scan for further details



PROPERTY DEVELOPMENT

Salcon first ventured into property development with its maiden project, Rés 280 in the fast growing township of Selayang, Selangor.

As an emerging player in the property development, Salcon unveiled its second property venture project – Belfield Crest, Kuala Lumpur. Salcon strives to strengthen the property development by aggressively expanding its landbank and conduct strategic partnership with land owners to unlock value and ensure sustainability of its financial performance.



TECHNOLOGY SERVICES

Salcon via its investment, Volksbahn Technologies Sdn Bhd (“VBT”) in partnership with Prasarana Group of companies aim to provide smart city solutions.

VBT has been granted a contract by Prasarana to provide an integrated intelligent technology via the laying of state-of-the-art fibre optic infrastructure along the Prasarana’s rails and premises in the Klang Valley and it can lease the infrastructure to telco players for up to 15 years.



TRANSPORTATION AND OTHER BUSINESSES

Salcon involved in the transportation services and other businesses to broaden its income stream to ensure sustainable return to its shareholders.

Salcon’s 51.3% owned subsidiary, Eco-Coach & Tours (M) Sdn Bhd was awarded a four-year contract to provide transport services for multinational companies such as Intel and Western Digital Media in the northern region Malaysia.

Salcon also ventured into complementary businesses such as oil & gas services and solar power industry.



Corporate Information

BOARD OF DIRECTORS

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

Datin Goh Phaik Lynn
Non-Independent Non-Executive Director
(Appointed on 30 December 2019)

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Choong Moh Kheng
Independent Non-Executive Director

Dato' Leong Kok Wah
Executive Director

Chan Seng Fatt
Independent Non-Executive Director

Dato' Rosli bin Mohamed Nor
Independent Non-Executive Director

AUDITORS

KPMG PLT
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank
Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank (Malaysia) Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House Services
Sdn Bhd [197101000970 (11324H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 3 September 2003)
Sector : Utilities
Stock Name : SALCON
Stock Code : 8567

WEBSITE

www.salcon.com.my

AUDIT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

NOMINATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

REMUNERATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

RISK MANAGEMENT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Leong Kok Wah
Ooi Cheng Swee @ Wee Kwee Swee
Jamiluddin Amini Bin Sulaiman
Law Woo Hock

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor (Chairman)
Dato' Leong Kok Wah
Ooi Cheng Swee @ Wee Kwee Swee
Law Woo Hock
Chern Meng Gaik

COMPANY SECRETARIES

Wong Wai Foong
(SSM PC No.: 202008001472)
(MAICSA 7001358)
Joanne Toh Joo Ann
(SSM PC No.:202008001119)
(LS 0008574)

REGISTERED OFFICE

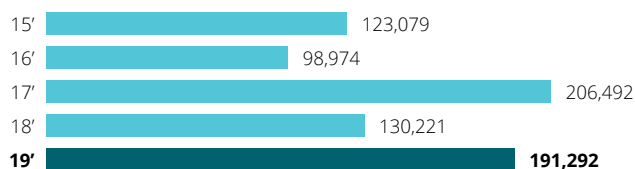
15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603-8024 8822
Fax : 603-8024 8811

HEAD OFFICE

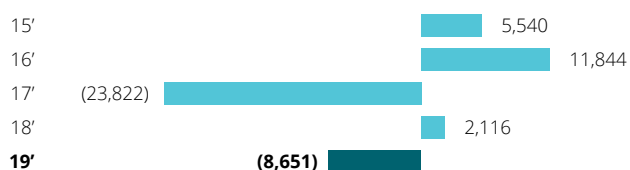
15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia
Tel : 603-8024 8822
Fax : 603-8024 8811

Financial Highlights

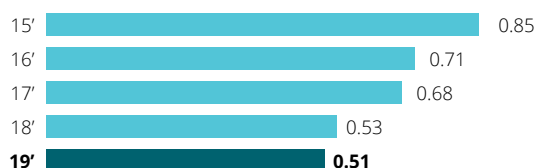
REVENUE (RM '000)



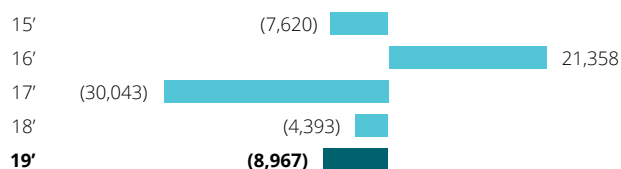
PROFIT ATTRIBUTED TO OWNERS OF THE COMPANY (RM '000)



NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)



PROFIT / (LOSS) AFTER TAX (RM '000)



NO. OF SHARES ISSUED ('000)



	2015	2016	2017	2018	2019
Revenue (RM '000)	123,079	98,974	206,492	130,221	191,292
Profit / (Loss) Before Tax (RM '000)	19,839	(11,687)	(34,785)	(1,562)	(7,331)
Profit / (Loss) After Tax (RM '000)	(7,620)	21,358	(30,043)	(4,393)	(8,967)
Profit Attributed to Owners of the Company (RM '000)	5,540	11,844	(23,822)	2,116	(8,651)
Total Assets (RM '000)	950,743	727,337	628,905	609,410	574,291
Total Liabilities (RM '000)	346,782	204,269	143,777	136,399	125,066
Total Equity Attributable to Owners of the Company (RM '000)	576,748	483,982	458,157	451,161	428,236
No. of Shares Issued ('000)	677,694	677,694	677,694	847,113	847,113
Net Assets per Share Attributable to Owners of the Company (RM)	0.85	0.71	0.68	0.53	0.51
Basic Earnings per Share (sen)	0.82	1.81	(3.52)	0.25	(1.03)
Dividend per Share (sen)	2.0	*	1.0	**	***
Return on Equity (%)	0.96	2.45	(5.20)	0.47	(2.02)
Share Price (Min) (RM)	0.555	0.545	0.390	0.22	0.205
Share Price (Max) (RM)	0.955	0.685	0.705	0.41	0.31

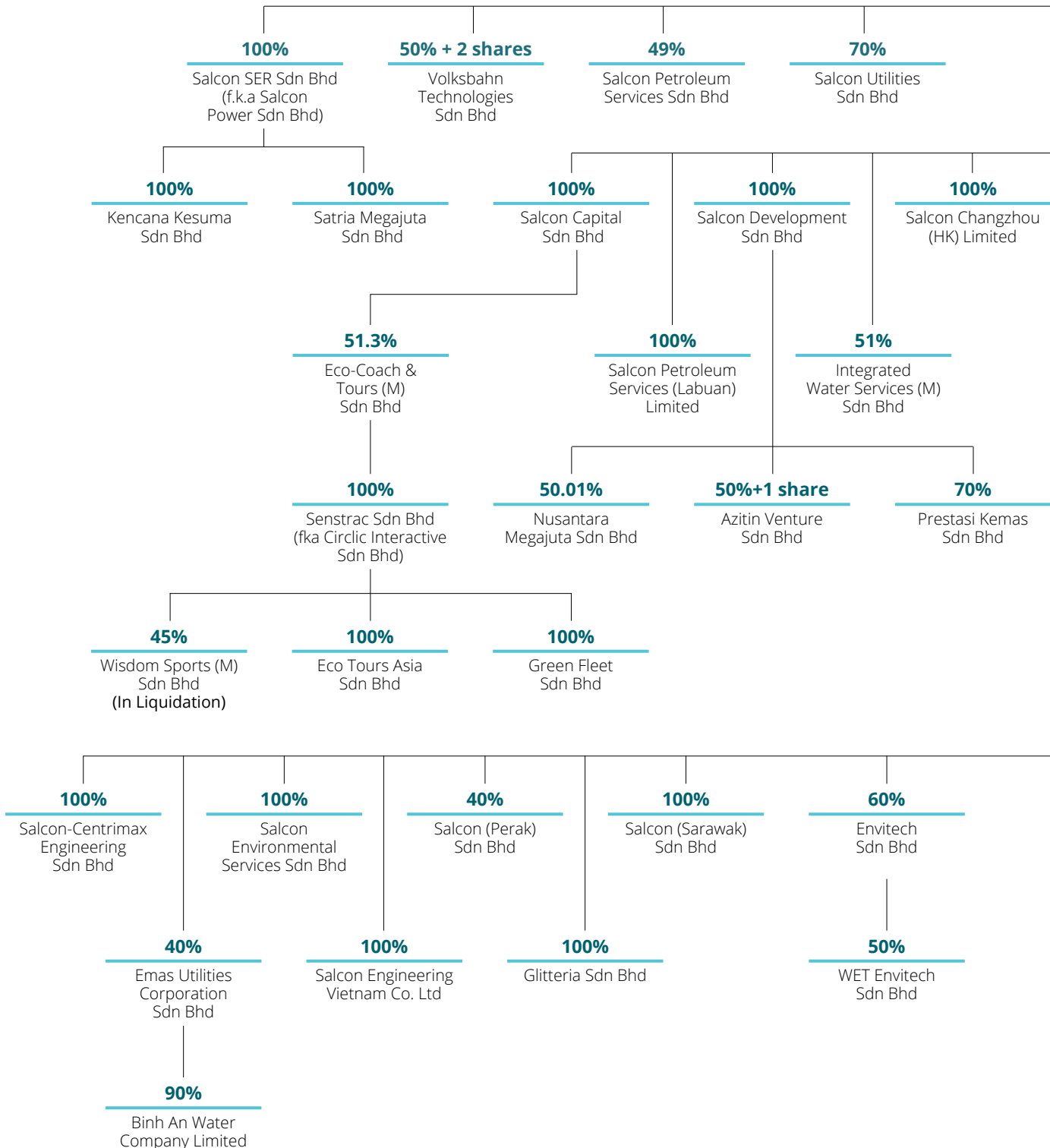
* One (1) Treasury share for every eighteen (18) existing ordinary shares held in the Company in 2016.

** One (1) Treasury share for every twenty-nine (29) existing ordinary shares held in the Company in 2018.

*** Proposed one (1) Treasury share for every twenty-nine (29) existing ordinary shares held in the Company in 2019.

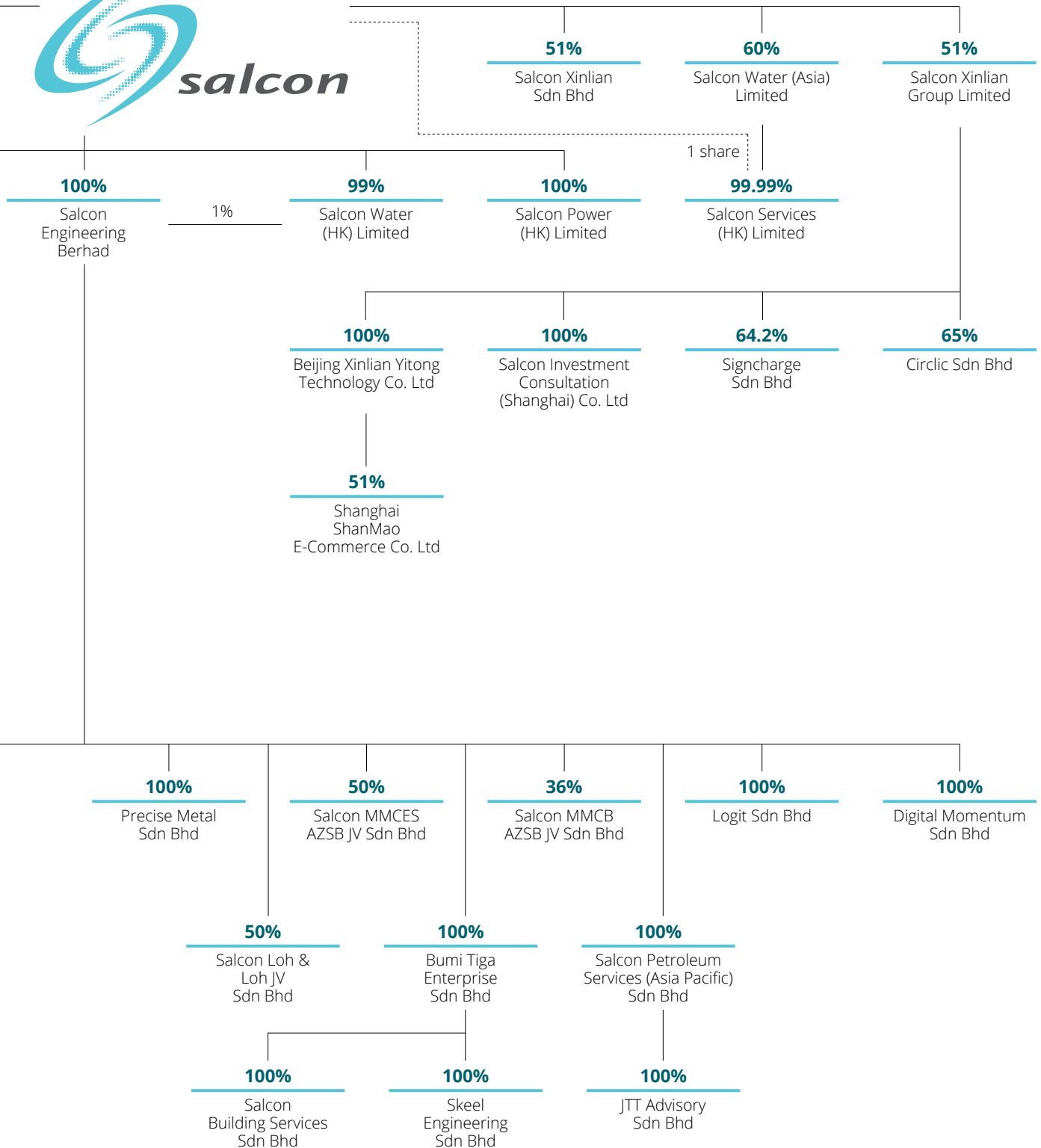
Corporate Structure

As at 13 April 2020



Corporate Structure

As at 13 April 2020



Board of Directors

from left to right

1. Dato' Choong Moh Kheng

Independent Non-Executive Director

2. Tan Sri Abdul Rashid Bin Abdul Manaf

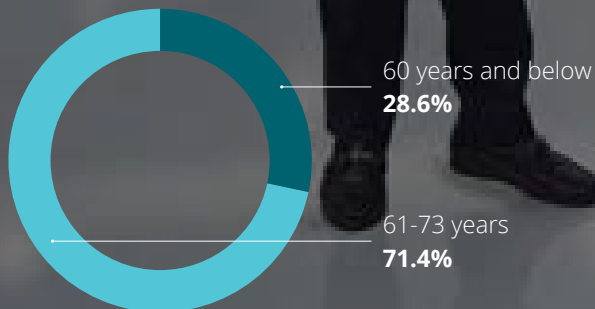
Chairman, Independent Non-Executive Director

3. Chan Seng Fatt

Independent Non-Executive Director



Board of Directors Age Composition



Length of Service



Board of Directors

4. **Dato' Leong Kok Wah**
Executive Director

5. **Tan Sri Dato' Tee Tiam Lee**
Executive Deputy Chairman

6. **Datin Goh Phaik Lynn**
Non-Independent Non-Executive Director

7. **Dato' Rosli Bin Mohamed Nor**
Independent Non-Executive Director



Board of Directors Gender Composition



Nationality



Board of Directors' Profile

1

TAN SRI ABDUL RASHID BIN ABDUL MANAF

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 73 | Malaysian

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 73, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

Tan Sri read law at Middle Temple, London, England and returned to Malaysia in 1970 as a Barrister-at-law.

Tan Sri Abdul Rashid is now a full-time businessman. Before venturing into business, he was a senior partner in a legal firm in Kuala Lumpur until his retirement on 24 August 2006. He joined the Malaysian Judicial and Legal Service in 1970 and was appointed as a Magistrate at Kuala Lumpur until 1973. He was later made the President of the Sessions Court in Klang. In 1975, he became the Senior Federal Counsel for the Income Tax Department. He left Government Service in 1977.

He was the Chairman of the Board of S P Setia Berhad from 1996 until 2012.

Tan Sri Abdul Rashid is currently the Founder and Non-Independent Non-Executive Director of Eco World Development Group Berhad. He is also the Group Chairman of Cahya Mata Sarawak Berhad.

2

TAN SRI DATO' TEE TIAM LEE

EXECUTIVE DEPUTY CHAIRMAN

Male | 62 | Malaysian

Tan Sri Dato' Tee Tiam Lee, aged 62, male, was appointed to the Board of Salcon on 1 January 2010.

Tan Sri Dato' Tee has an extensive career and has vast experience in various industries including insurance, water engineering/treatment, hotel management, property investment and oil palm plantation business.

He began his career in insurance in 1976 after finishing his secondary education and has more than 30 years experience in this industry to-date.

Tan Sri Dato' Tee was a Director, members of Remuneration Committee, Risk Management Committee and Underwriting Committee of MUI Continental Insurance Berhad.

He is also a Director of several private limited companies including Hotel Sri Hoover Sdn Bhd which deals in hotel management, and Tabir Arena Sdn Bhd, Jouta Plantation Sdn Bhd and Evergreen Comfort Sdn Bhd, which deal in oil palm plantation business in the east coast of West Malaysia.

He is the Chairman of The Mines Residents Association (MRA) and is also a Director of the Chinese Chamber of Commerce in Terengganu since 1995.

Currently, Tan Sri Dato' Tee holds the position of Honorary President of Malaysia-China Chamber of Commerce (MCCC), The Federation of Malaysia Chinese Guilds Association and The Federation of Hokkien Association of Malaysia. Apart from this, he is the Founder-Member of The Federation of Chinese Associations Malaysia and Eminent Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM).

Board of Directors' Profile

3

DATO' LEONG KOK WAH

EXECUTIVE DIRECTOR

Male | 66 | Malaysian

Dato' Leong Kok Wah, aged 66, male, was appointed to the Board of Salcon on 1 January 2010.

He holds a Master's degree in Business Administration (MBA) from University of Hull, United Kingdom ("UK") and is a member of Institute of Bankers (UK), Institute of Credit Management (UK), Institute of Marketing (UK) and Asian Institute of Chartered Bankers (AICB) (formerly known as Institute of Bankers Malaysia).

Dato' Leong has an extensive career and held senior positions in the banking industry. He has vast experience in stock broking, asset management and futures and options trading. He sits on the Board of various companies in Malaysia. He was formerly a Director of S P Setia Berhad.

Dato' Leong is a Non-Independent Non-Executive Deputy Chairman and shareholder of Eco-World Development Group Berhad. He also sits on the Board of MUI Continental Berhad (formerly known as MUI Continental Insurance Berhad).

Dato' Leong is a member of Risk Management Committee and Sustainability Committee of the Company.

4

DATO' CHOONG MOH KHENG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 64 | Malaysian

Dato' Choong Moh Kheng, aged 64, male, was appointed to the Board of Salcon on 3 January 2011.

He holds a Bachelor of Science (Honors) Civil Engineering from Manchester University, United Kingdom and obtained his post-graduated degree in Master of Business Administration from Golden Gate University, San Francisco, United States of America.

Dato' Choong has an extensive working experience in both Civil and Building works include Astrid Meadows luxurious Condominium Project, Singapore (\$55.1 million), Gleneagles Hospital Extension, Singapore (\$150 million) and North-South Interurban Toll Expressway, Sungkai to Slim River, Perak (RM332 million).

Dato' Choong is currently the Managing Director of Pembinaan Punca Cergas Sdn Bhd ("PPC"). He is also the founder director and Joint Managing Director of PPC group of companies. His active involvement in the industry includes being the Honorary Treasurer of the Road Engineering Association of Malaysia (REAM).

Dato' Choong is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Board of Directors' Profile

5

CHAN SENG FATT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 56 | Malaysian

Chan Seng Fatt, aged 56, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr. Chan Seng Fatt has an extensive career exposure spanning more than 30 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation and general management.

Mr Chan Seng Fatt has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in Oct 2007 and held the position till Dec 2012.

Mr Chan is currently an Independent Non-Executive Director and the Chairman of Audit Committee of Fitters Diversified Berhad and Star Media Group Berhad. He is also an Independent Non-Executive Director, the Chairman of the Board and Nomination Committee; and a member of Audit and Remuneration Committees of Comfort Gloves Bhd.

Mr Chan is the Chairman of Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. He is also the Senior Independent Director of the Company.

6

DATO' ROSLI BIN MOHAMED NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 61 | Malaysian

Dato' Rosli Bin Mohamed Nor, aged 61, male, was appointed to the Board of Salcon on 2 July 2018.

Dato' Rosli graduated with a Bachelor of Science in Civil Engineering from Brighton Polytechnic (now known as Brighton University), United Kingdom.

Dato' Rosli has built a long and steady career in construction, trading and property development. He was a design engineer at Engineering and Environmental Consultants Sdn Bhd and a project manager at United Engineers (M) Bhd before starting his own construction business. His companies have undertaken construction of various projects including highways, LRT tunnels, water reservoirs and rail lines. He then moved on to other new businesses in property development and mining.

Dato' Rosli was formerly an Independent Non-Executive Director of Export-Import Bank of Malaysia Berhad. He had served a period of nine (9) years from 2009 to 2018, longest on record for a developmental financial institution.

Dato' Rosli is currently an Independent Non-Executive Director, Chairman of Audit & Risk Management Committee and Remuneration Committee of Econpile Holdings Berhad. He also sits on the board of ADS Sentral Sdn Bhd, a subsidiary of TRC Synergy Berhad and KMK Plus Sdn Bhd the later being his privately owned construction firm.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Board of Directors' Profile

7

DATIN GOH PHAIK LYNN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female | 59 | Malaysian

Datin Goh Phaik Lynn, aged 59, female, was appointed to the Board of Salcon on 30 December 2019.

Datin Goh holds a Master of Science and Bachelor of Science Econ from London School of Economics UK.

Datin Goh has extensive experience and illustrious career in corporate banking sector. She was the General Manager, Head of Corporate banking and Investment Division of Ban Hin Lee Bank and a member of the Board of BHLB Pacific Trust Management Bhd (Unit Trust company) and BHLB Asset Management Bhd from 1983 to 2000. Ban Hin Lee Bank had merged with Southern Bank Berhad which was later acquired by CIMB Bank Berhad.

Datin Goh is also involved in various charity projects. She is a member of the Owen-Baden Powell Society and a member of the Board of Governors of Convent Bukit Nanas Kuala Lumpur.

Notes: -

1. All Directors are Malaysian.
2. There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a Director and major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, is the spouse of Dato' Leong Kok Wah.
3. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
4. None of the Directors has been convicted for offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

Key Senior Management's Profile

OOI CHENG SWEE @ WEE KWEE SWEE

CHIEF OPERATING OFFICER

66	Male	Malaysian
----	------	-----------

Date of Appointment	Name of Company
6 June 2011	Salcon Berhad

QUALIFICATION(S)

- Bachelor of Engineering (Civil) (Hons) Degree from the University of Malaya in 1978.

WORKING EXPERIENCE(S)

Mr. Ooi Cheng Swee has 41 years of working experience in infrastructure works, beginning with drainage, road and bridge engineering design upon his graduation. And from 1987 onwards, Mr. Ooi has been involved in waterworks engineering including the construction supervision of water supply schemes, water supply distribution studies and operations and maintenance of water treatment plants.

Mr. Ooi is a Professional Engineer with Practising Certificate registered with the Board of Engineers Malaysia and a Member of the Institution of Engineers Malaysia. Prior to joining Salcon, he was with Puncak Niaga (M) Sdn Bhd for 6 years where his last position was Executive Director for Engineering/ Project Development Division. He is currently holding the position of Chief Operating Officer in Salcon Berhad.

LAW WOO HOCK

CHIEF FINANCIAL OFFICER

55	Male	Malaysian
----	------	-----------

Date of Appointment	Name of Company
1 November 2005	Salcon Berhad

QUALIFICATION(S)

- A qualified accountant and fellow member of The Association of Chartered Certified Accountants (ACCA), UK.
- A member of Malaysian Institute of Accountants (MIA).

WORKING EXPERIENCE(S)

Prior to joining Salcon, Mr. Law held various senior management positions in large conglomerates and established group including Hong Leong Industries Bhd, Ireka Corporation Bhd and has gained more than 17 years of relevant experience in corporate finance, financial management and taxation.

Key Senior Management's Profile

JAMILUDDIN AMINI BIN SULAIMAN**DIRECTOR - ENGINEERING & PROPOSAL**

52 | Male | Malaysian

Date of Appointment

29 June 2010

Name of Company

Salcon Engineering Berhad

QUALIFICATION(S)

- Bachelor of Science (Chemical Engineering), Brown University, Rhode Island, USA.

WORKING EXPERIENCE(S)

Jamiluddin Amini Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the last 29 years, which include project management, design, procurement, construction, commissioning and operation. In his current capacity, he oversees the operation of Engineering & Proposal Division which is primarily responsible in preparing detailed engineering design and tender/proposal for water treatment/supply projects in Malaysia and overseas.

Prior to joining Salcon, Jamiluddin's experience includes carrying out detailed studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

While working in the United States, Jamiluddin was involved in developing technology for hazardous wastewater control, operating an inorganic testing laboratory as well as conducting various tests on water, wastewater, soil and sludge.

YAP SUI PON**PROJECT DIRECTOR**

66 | Male | Malaysian

Date of Appointment

5 October 2010

Name of Company

Salcon Engineering Berhad

QUALIFICATION(S)

- B. Sc Civil Engineering from Teesside University (UK) in 1978
- M. Sc Construction Management from Birmingham University (UK) in 1979.

WORKING EXPERIENCE(S)

Yap Sui Pon has more than 38 years of career experience in civil & building works, construction and design of power plant & water treatment plant.

Yap Sui Pon started his career as Assistant District Engineer from 1979 to 1981 at JKR, Grik, Perak. He was the Project Manager of Emal Construction Sdn Bhd from 1982 to 1987 before leaving for Shinor Construction Sdn Bhd as General Manager from 1987 to 1990. He then joined MRCB/Zelleco Construction Sdn Bhd as Project Director from 1990 to 1998 and from 1998 to 2000, he was the Deputy General Manager (Power Division) of Minconsult Sdn Bhd. He was the Project Director of Zelan Construction Sdn Bhd from 2000 to 2006 and Country Manager (Saudi Arabia) of Zelan Arabia Construction Company Limited from 2006 to 2009.

From October 2010, he was appointed as Project Director to oversee and head the Construction Division at Salcon Engineering Berhad.

Key Senior Management's Profile

LOW BENG PEOW

EXECUTIVE DIRECTOR

73	Male	Malaysian
----	------	-----------

Date of Appointment	Name of Company
30 August 1984	Envitech Sdn Bhd

QUALIFICATION(S)

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
- A Registered Professional Engineer with practising certificate in the branch of Environmental Engineering with the Board of Engineers, Malaysia.
- Fellow of the Institution of Engineers Malaysia.
- A Qualified Person under Suruhanjaya Perkhidmatan Air Negara (SPAN).

WORKING EXPERIENCE(S)

Mr. Low Beng Peow, has been in the environmental engineering industry for more than 40 years. His experience covered the study, design, construction, implementation and management of sewerage system including sewage treatment plants, pumping stations and sewer networks.

Mr. Low's noteworthy experience includes involvement in the multi-million ringgit Greater Kuala Lumpur Sewerage Project financed by the International Bank for Reconstruction and Development in year 70's, and successful completion of not less than 400 both Government and Private projects since the incorporation of Envitech Sdn Bhd in year 1984.

LEE THIM LOY

MANAGING DIRECTOR

71	Male	Malaysian
----	------	-----------

Date of Appointment	Name of Company
30 August 1984	Envitech Sdn Bhd

QUALIFICATION(S)

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
- A Registered Professional Engineer with Practising Certificate from the Board of Engineers, Malaysia.
- Member of the Institution of Engineers, Malaysia.

WORKING EXPERIENCE(S)

Mr. Lee Thim Loy has more than 46 years experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

Mr. Lee's portfolio includes involvement in several Master Plans and Feasibility Studies for Sewerage in Malaysia. His capabilities extend into the treatment of palm oil wastes besides related environmental consultancy for industrial effluent surveys, wastewater flow analyses and wastewater treatment feasibility studies.

Mr. Lee's noteworthy experience includes as a Principal Investigator in the Palm Oil Waste Treatment Project in Malaysia and in Thailand, a project sponsored by the International Development Research Centre, Canada, and undertaken by the Asian Institute of Technology, Bangkok, in association with the Department of Environment, Ministry of Science, Technology and Environment, Malaysia from 1979 to 1981.

Key Senior Management's Profile

LIEW SWEE CHOONG**GENERAL MANAGER**

57

Male

Malaysian

Date of Appointment

16 June 2014

Name of Company

Prestasi Kemas Sdn Bhd

QUALIFICATION(S)

- Bachelor of Engineering degree from the National University of Singapore in 1988.

WORKING EXPERIENCE(S)

Liew Swee Choong carries with him more than 30 years of excellence in the planning, execution and completion of property development and construction projects.

Prior to joining Salcon, he held various senior positions in Newfields Property Management Sdn Bhd - a niche property developer and Perdana Park City Sdn Bhd - the developer of the renowned Desa Park City township where he has played significant roles in the successful implementation of many notable development projects.

Notes: -

All key senior management do not have:

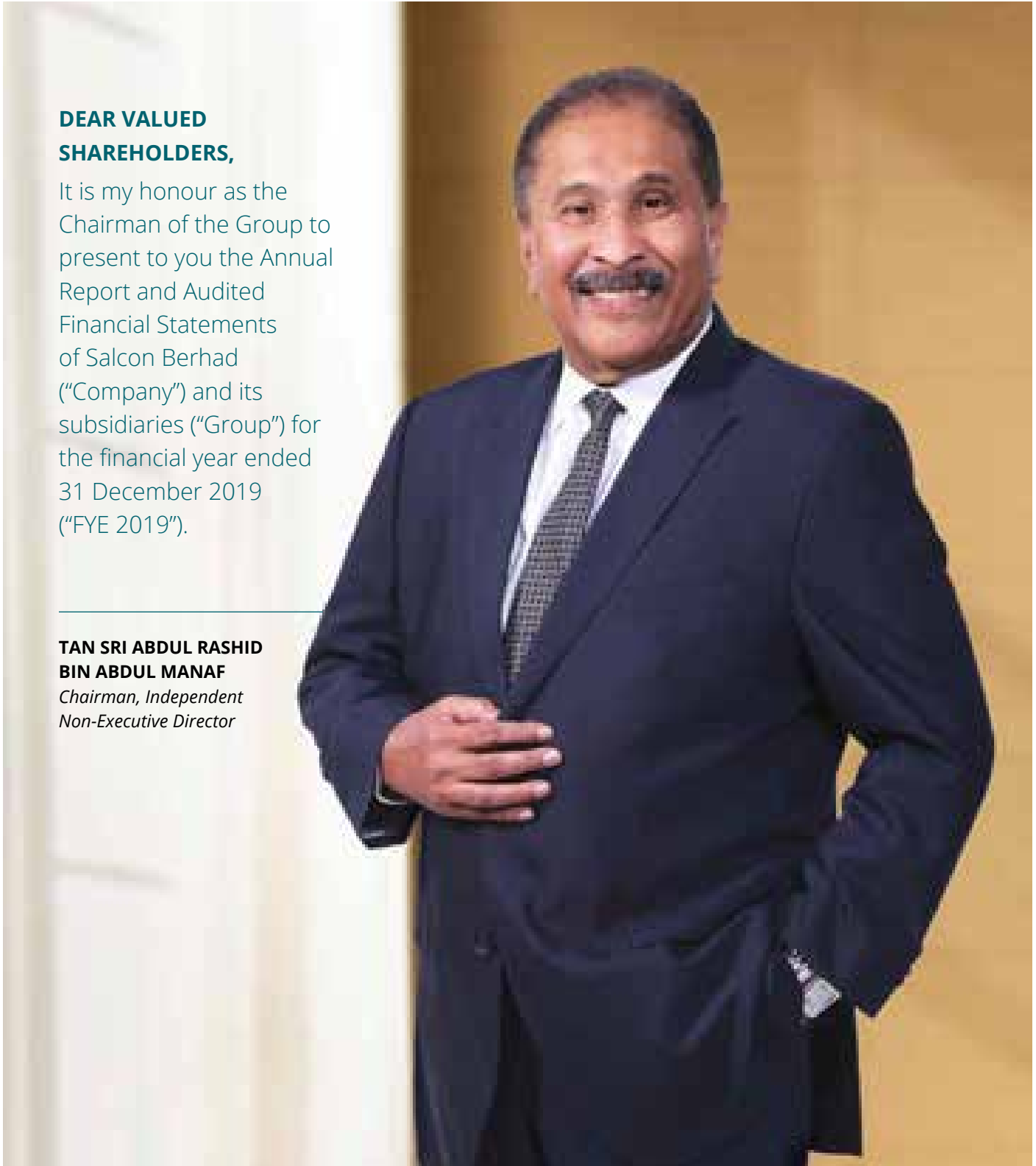
- Directorship in other public companies.
- Any family relationship with any director and/or major shareholder of Salcon Berhad.
- Any conflict of interests with Salcon Berhad.
- Other than traffic offences, none of the key senior management had been convicted for offences within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2019.

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

Management Discussion & Analysis

1.0 BUSINESS OVERVIEW

Salcon Berhad (“Company”) is an investment holding company with core investments in water and wastewater Engineering & Construction, Property Development, Technology Services and Transportation Services.

Creating long term shareholder value is a key priority for the Company and its group of companies (“Group”) and the Group is committed to grow its business via a 3-pronged strategy of strong project execution, optimising its business portfolio and prudent risk management to achieve operational efficiencies and long-term sustainable growth.

During a series of Strategic Direction Setting and Implementation Workshops held at end 2019 to early 2020, the senior management team together with several members of the Board committed to translate the Company’s financial and operational plans for successful implementation and consistent execution through KPIs and measurements. The leadership team also re-aligned the Company direction and revised the Group’s Vision, Mission and Core Values to be in line with all our businesses.

Vision

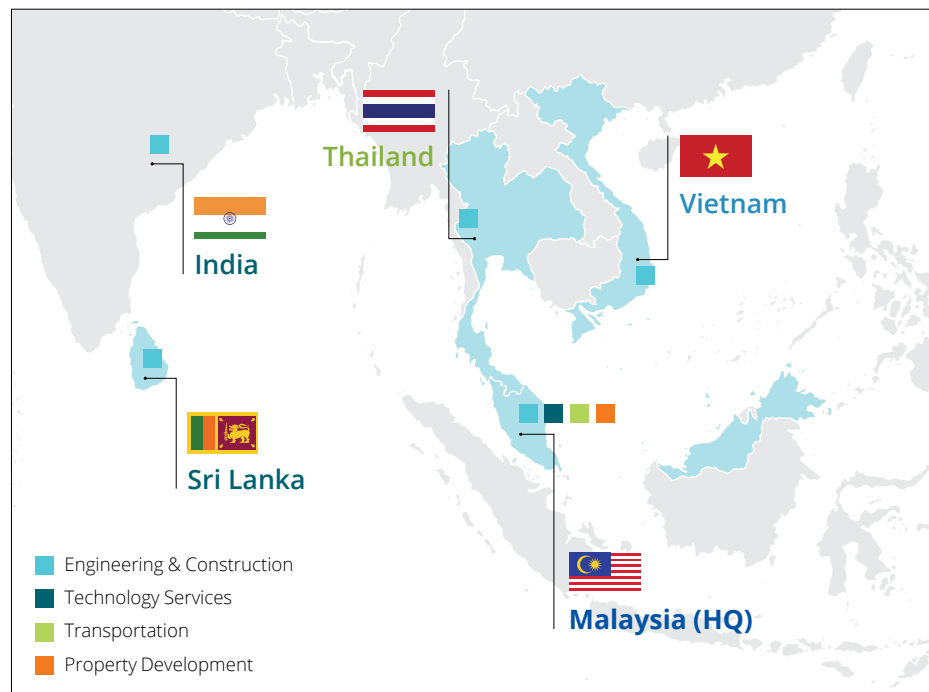
To be a respected & synergistic corporation transforming lives for the better.

Mission

To enrich lives by providing top quality products and services through operational excellence and sustainability.

The Group aims to strike a balance between achieving sustainable growth and maintaining capital discipline to deliver the best returns to the shareholders. Our diversified portfolio of Property Development, Technology Services and Transportation ensures our sustainable growth and value creation.

The Group’s headquarters is based in Malaysia with business operations across the Asian Region, which are:



Divisions	Key Offerings
Engineering & Construction	Design and build water/wastewater treatment plants, Operation & Maintenance (O&M) services, Non-Revenue Water (NRW) management and control, customer billing & collection.
Technology Services	Provision of Smart Urban Infrastructure Services for Telecommunication Operators, Enterprises, SME, Property Developers and Government.
Transportation	Provision of transport services ranging from workers transportation for multinational companies such as Intel, Western Digital Media and Paramit in the northern region of Malaysia, inbound and outbound tour services and palm oil product tanker logistic services.
Property Development	Boutique developer targeting niche property development.

A review of the Group’s business operations and financial performance for the Financial Year End (“FYE”) 2019 is reported below.

Management Discussion & Analysis



▲ Langkat 2 Water Treatment Plant – the largest single water contract in Malaysia water industry

2.0 FINANCIAL PERFORMANCE

The Group reported a higher consolidated revenue of RM191.3 million in FYE2019, compared to RM130.2 million in the preceding financial year, representing an increase of 47%. This was mainly due to higher revenue contribution from the Engineering & Construction division.

However, the Group recorded a higher pre-tax loss of RM 7.33 million compared to RM 1.56 million in the previous year due to one-off expenses comprising of capital gains tax in arrears from the disposal of China assets and impairment of investment in an associate company which accounted for RM14.97 million. The Group's results were also affected by delayed commencement of newly-secured contracts, higher cost incurred

due to delays in certain ongoing contracts and continued losses in its Property Division.

Nevertheless, the Group's balance sheet remains strong with healthy cash reserves of RM 121.3 million which will serve as a foundation from which we can continue to look for growth opportunities while managing costs to ensure the viability of the business. The Group maintained a healthy net gearing of 0.06 times as at 31 December 2019 with borrowings totalling RM24.1 million.

In continuing to reward shareholders, the Company maintained consistent records of annual dividend. The Company proposed distribution of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of the FYE2019.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years. Building on our strengths, we are optimistic that the Group's long-term prospects remain positive.

“the Group's balance sheet remains strong with healthy cash reserves of RM 121.3 million”

Management Discussion & Analysis



▲ The Langat Centralised Sewage Treatment Plant equipped with Green Technology such as Bio Gas, Solar Energy, Effluent Water Reuse and Rainwater Harvesting

Engineering & Construction Division

Financial Highlights

During the year under review, the Engineering & Construction Division remained the key driver of our operations and largest contributor with a revenue of RM163.5 million which accounted for 85% of the Group's total consolidated revenue. This represents an increase of 59% from RM103.1 million in FYE2018 mainly due to the higher work progress of the Kuala Terengganu Utara Water Treatment Plant project which led to a stronger billings.

In line with the higher revenues, the division's segmental profit before tax ("PBT") edged up to RM11.5 million in FYE2019 from RM6.8 million previously, mainly attributable to recognition of share of profits and variation orders from joint ventures projects.

Operational Highlights

The business activities in the water and wastewater Engineering and Construction Division are driven principally by the Group's subsidiaries, Salcon Engineering Berhad ("SEB") and Envitech Sdn Bhd ("Envitech").

During FYE2019, SEB, together with its joint venture partners, successfully completed the testing & commissioning

("T&C") of Section 1 (Stream B) Works with capacity of 565 million litres per day ("MLD") of the Langat 2 Water Treatment Plant in Dec 2019. The T&C for the balance works is scheduled for completion in the first quarter of 2020. Upon completion, the Langat 2 Water Treatment Plant (Package 2A) will benefit 1.8 million users and provide an additional 1,130 MLD to consumers in Selangor, Kuala Lumpur and Putrajaya.



▲ Rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam is expected to be completed in 2020

Management Discussion & Analysis

Current major projects on hand include the following:

- 1) Langat Centralised Sewage Treatment Plant, which achieved physical progress of 93.5% and is expected to be completed in 2020.
- 2) Rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam, which achieved physical progress of 85% and is expected to be completed in 2020.
- 3) Design and building of Ambatale Stormwater Pumping Station in Sri Lanka, which achieved physical progress of 73% and is expected to be completed in 2020.
- 4) Kuala Terengganu Utara Water Supply Scheme (KTU), which achieved physical progress of 39%.
- 5) Network Pumping Station in Langat catchment and Langat CSTP upgrading works, which achieved physical progress of 94%.
- 6) Capacity expansion for the Telibong II Water Treatment Plant in Tamparuli, Sabah.
- 7) Supply and Installation of Mild Steel Pipes at Langat 2 and Water Reticulation System in Selangor and Kuala Lumpur – Package 15(4).
- 8) Valachchenai Water Supply Project - Plant and Design Build Contract for Civil Mechanical & Electrical Works.

The Engineering & Construction division is constantly and actively tendering for new projects to replenish its outstanding order books. During FYE2019, the division secured more than RM200 million worth of new contracts, both local and overseas.

In Malaysia, SEB was awarded the Telibong II water treatment plant in Tamparuli, Sabah from Rintis Dinamik Sdn Bhd which secured the project from Jabatan Air Negeri Sabah worth RM124.7 million. The project involves the expansion of the existing plant which will increase its



▲ Construction of Consumer Building and Sabah Electricity Sdn Bhd substation in intake boundary at Telibong II water treatment plant

capacity from 80 million to 160 MLD and is expected to be completed in 2021. Subsequently, SEB secured a RM39.8 million works package from Pengurusan Aset Air Bhd (PAAB) to supply and install mild steel pipes for the Langat 2 Water Treatment Plant and Water Reticulation System – Package 15(4). For non-revenue water (“NRW”) reduction, SEB managed to secure a RM21 million contract from Jabatan Air Negeri Sabah for operating the customer service call centre, monitor and maintaining the District Meter Zones (DMZ), meter reading and billing in Sandakan Water Department.

In Sri Lanka, SEB has also secured a RM51 million sub-contract from China Geo Engineering Corporation to carry out mechanical and electrical work for the Valachchenai Water Supply Project. The project is expected to be completed in 36 months from the date of commencement.

On the wastewater side, the Group via Envitech bagged a RM25.7 million contract from Gamuda Land (Botanic) Sdn Bhd to undertake remedial work of existing vacuum sewerage system at KXG 708 & KXG 722 catchments in Bandar Botanic, Klang. The project is expected to complete in 2020.

Looking Forward

The Engineering and Construction division remains active in securing new projects in Malaysia and overseas. The Group's order book stood at RM1.6 billion comprising water and wastewater projects, both locally and overseas with RM427.6 million balance of works to be carried out as at 31 December 2019 remains healthy and is expected to keep the Group busy over the next two years. Based on our track record and expertise in the water and wastewater sector,

Management Discussion & Analysis

we look forward to replenish our order books via competitive tenders for both governmental and private sector-led projects.

During the recent Malaysian Budget 2020 announcement, the government has given a spur for more water industry related initiatives. Approximately RM587 million will be allocated for projects in rural areas, out of which RM470 million has been earmarked for Sabah and Sarawak to meet the target 99% access to clean water. The Ministry of Water, Land and Natural Resources has stated the possibility of an increase in water tariff in 2020 once the Tariff Setting Mechanism (TSM) comes into effect. We expect the higher tariffs to translate to more capital expenditure for the pipe replacement works, NRW reduction programme, new water treatment plants and water infrastructure, presenting orderbook building opportunities to the Group. Additionally, the Federal Government has also approved a total of RM1.9 billion for

the implementation of NRW reduction programmes and allocated RM223.35 million for water supply infrastructure development in Selangor to assist water operators in achieving the nationwide NRW target of 31% by 2020 under 11th Malaysian Plan (11MP).

In the overseas market, the Group will continue to strengthen its portfolio in Sri Lanka by tendering for large municipal water supply infrastructure project which are funded by multilateral agencies. The Group will also focus on overseas market such as Vietnam to replenish its order books.

Given the Group's track record and capabilities, we are confident of capitalising on all these opportunities.

Concession Investment Division

The concession for the Binh An water treatment plant located in Ho Chi Minh City, Vietnam with a capacity of

100 MLD ended in August 2019 and was transferred back to the People's Committee of Ho Chi Minh city. For FYE2019, the division recorded a lower PBT of RM2.33 million as compared to RM5.77 million in the previous year. The lower PBT was due to the cessation of the concession.

Property Development Division

Financial Highlights

The Property Division posted a higher revenue of RM7.77 million, a 39% increase compared to RM5.61 million in the preceding year. The division recorded a lower segmental loss after tax ("LAT") of RM1.75 million, a 76% decrease compared to segmental LAT of RM7.14 million in the previous year.

The losses for this division was mainly due to the holding cost of the remaining unsold units of res280 project at Selayang, interest expense on lease



▲ res280 is strategically located in Selayang and is easily accessible to major cities and towns

Management Discussion & Analysis

liabilities of Belfield Crest at Kuala Lumpur and realised losses on foreign exchange.

Operational Highlights

The Group via its subsidiary, Salcon Development Sdn Bhd disposed its 20% equity in Eco World-Salcon Y1 Pty. Ltd in April 2019 for A\$4.52 million (approximately RM13.25 million). The disposal improved the Group's cashflow position by RM13.13 million and enabled the Group to re-position its financial resources.

Despite the sluggish property market and tighter bank lending to buyers, the Group's small office home office (SOHO) development project res280 in Selayang reached accumulated sales of 84% compared to 78% the previous year due to attractive sale scheme to market the remaining unsold units.

With the weak market sentiment and low household income growth, the division's other property projects have been put on hold pending a review of the development strategy.

Looking Forward

The Group is optimistic to see a modest recovery of property market in 2020 based on the government initiatives to introduce Rent-To-Own Scheme (RTO) in budget report 2020. Through the RTO, RM10 billion financing will be provided by financial institutions with the government's support through a guarantee provision of 30% or RM 3 billion which will indirectly benefit the first-time homebuyers.

The Group will continue to look for strategic partners for potential developments which are aligned with our objectives.

Other Divisions

Transportation

The transportation division, spearheaded by the Eco-Coach & Tours (M) Sdn. Bhd (ECT), operates a total of 142 vans, 38 coaches, 39 MPV, 15 limo vehicles and employs 226 drivers to provide transportation services for its clients which include multinational companies such as Intel, Western Digital Media, Paramit and B Braun Medical.

The transportation division recorded higher revenues of RM17.4 million in FYE2019, representing an increase of 4.2% compared to the revenues of RM16.7 million in preceding year, mainly due to the revenue contribution from its subsidiary, Green Fleet Sdn Bhd ("GF"). This constitutes 9% of the total Group's

total revenue during the year under review. However, the division recorded a LAT of RM0.55 million compared to PAT of RM2.41 million in prior year due to the higher operating expenses.

GF provides palm oil and soy oil product transporting service in Central and Northern region of Peninsular Malaysia for client such as PGEO Edible Oils Sdn Bhd (Lumut), Soon Soon Oilmills Sdn Bhd (Westport), Soon Soon Oilmills Sdn Bhd (Prai) and currently operates 11 units of stainless steel and mild steel bulk tankers.

Moving forward, the division will enhance its tracking system by utilising the Senstrac device to achieve a higher tracking accuracy. The device will be able to provide a GPS/4G location tracking, monitor safety based on driver's behavior and driving pattern and operational control. This will ultimately reduce the operating costs, optimise vehicle usage and reduce carbon footprint in future.



▲ The high quality and comfortable interior of the Semi High Deck Coach used for transporting B. Braun Medical employees

Management Discussion & Analysis

Technology Services

Spearheaded by Volksbahn Technologies (M) Sdn. Bhd. (“VBT”), the division recorded revenue of RM11.19 million, an increase of 32% compared to RM8.48 million in the previous year. In line with the increase of revenues, the PAT rose from RM0.07 million to RM0.95 million.

The improved performance was contributed by an additional 46 cell sites delivered and fiberised at the stations in FYE2019 resulting in the increase of site rental income for shared infrastructure as well as bandwidth charges.

In FYE2019, the mobile operators which have signed up to VBT infrastructure include U Mobile Sdn Bhd, Celcom Axiata Berhad, Digi Telecommunication Sdn Bhd, Webe Digital Sdn Bhd, Maxis Berhad, NTT Ltd., X86, Symphonet Sdn. Bhd., VC Telecoms Sdn. Bhd. and Fiberail Sdn. Bhd.

The division also provided backhaul services to two new service providers; Allo Technology Sdn Bhd (subsidiary of TNB) and SmartSel Sdn Bhd. Apart from that, VBT has also provided backhaul services to several financial institution such as OCBC Bank, Public Bank Berhad and Bank Negara Malaysia by collaborating with few other service providers.

Moving forward, VBT is exploring with mobile telecommunication companies on leveraging its fiber network for the deployment of 5G coverage in Klang Valley. The plan will be further enhanced by the increase of cell sites utilising the LRT and Monorail track pillars.

In terms of strategic collaboration, VBT looks forward to the opportunities for new developments along the LRT line

and target to become a carrier-neutral data center. Among the developments targeted are Datum Jelatek – LRT Station Jelatek, Ara Sentral – LRT Station Ara Damansara, IOI Stellar Suites – LRT Station Bandar Puteri Puchong and BBCC – LRT Station Hang Tuah.



▲ A 30 meter unipole owned by VBT at Lembah Subang LRT Station

Solar Power Services

Salcon Power (HK) Limited recorded a lower revenue of RM1.07 million, a 55% decrease as compared to RM2.37 million generated in the previous year. This is based on the remaining balance of 459 units of solar photovoltaic electricity generating systems with a capacity 1,390.5 KW after the Group disposed 1,191 units to ACP Solar Limited during the previous financial year.

3.0 BUSINESS OUTLOOK

Impact of COVID-19

Expectations for a better FY2020 have been revised downwards due to the outbreak of COVID-19 which has caused major business disruptions in Malaysia and around the world as a result of travel restrictions and lockdowns to curb the spread of the virus.

In light of the COVID-19 crisis, it is thus important for the Group to uphold sustainability of our business models and ramp up preparedness for volatile times. In this regard, the Group has activated a Business Continuity Plan (“BCP”) with clear lines of communication with our employees, suppliers, clients and other third-party in order to minimise any potential negative impacts. Led by the Chief Operating Officer, the BCP articulates work-from-home (WFH) policies and support functions to project sites via a safe, robust and reliable IT infrastructure. Clear communication channels are set up via platforms such as Skype and Zoom to enable agile and responsive communications across all business units together with emergency contact numbers which are accessible throughout this period. At project sites which have stopped working in line with the Movement Control Order (“MCO”), measures and precautions have been taken by the Group to safeguard the security and sanitation of sites and workspaces.

As part of the Group’s strategy to pave the way for recovery and to ensure minimal disruption to our supply chain when business commences, the Group has put in place initiatives to make sure the adequate supply of raw materials and services once MCO is lifted. This is achieved through regular

Management Discussion & Analysis

engagement and communication with our suppliers/sub-contractors to ensure cost optimisation, risk planning and assessment to better manage our resources.

In order to thrive and perform, it is crucial for the Group to align strategically with the new normal that will most likely follow after this high impact COVID-19 event. Recognising the direct impact of COVID-19 on the business operations, the Group will be actively exploring ways to diversify our income and create more revenue resources to grow long term shareholder value through various cost optimisation and portfolio rationalisation strategies.

The Board and Management is committed to Respond, Recover and Thrive to ensure the growth and sustainability of the Group.

Looking Forward

The Group's Engineering and Construction Division, will leverage on its track record, proven capabilities and outstanding portfolio in water and wastewater engineering works to secure contracts to replenish its order books. In Malaysia, key drivers for water investments are the upgrading of ageing water distribution infrastructure to reduce NRW and increase water reserve margins. The Group targets to secure niche NRW related contracts specifically in the Klang valley, where the current operator, Pengurusan Air Selangor Sdn Bhd (Air Selangor) will invest almost RM1 billion over the next three years to replace water pipes as part of its efforts to reduce NRW to 28% by 2020 from the current 35.2%. With the consolidation of the water industry in Selangor almost complete, the Group also stands ready to assist in the upgrading of water



infrastructure on the capacity side water treatment plants as well as distribution to ensure water supply security in the Klang Valley. In Kelantan, Sabah and Sarawak, which have the lowest coverage in the country, the Government has also allocated funds to develop water infrastructure to increase water supply coverage in rural areas.

As for the overseas outlook, the Group remains focussed on building on our competitive strengths and are confident of securing more projects in Sri Lanka and Vietnam given our good track record and successful completion of projects.

Under the Technology Services Division, the Group's performance will be underpinned by the strong demand from the various telecommunication companies to provide fast and reliable bandwidth services for their users. Initiatives by the Malaysian government to launch the 5G Demonstration Project (5GDP) is set to transform the industry

giving the country an edge in the race to implement Internet of Things (IoT) and Artificial Intelligence. This boost in demand will provide the Group with extensive opportunities to fully utilise VBT's fibre optic backbone which is strategically located in the heart of Klang valley and to secure more income generating ventures.

Whilst 2020 will be a challenging year, the Group will continue to manage its risks to deliver sustainable growth and build a stable earnings stream by expanding our business portfolio with emphasis in technology enhancement and talent management. We are confident that with the strategic initiatives in place and continued support of all our stakeholders, the Group will emerge better and stronger.