



Empowering Sustainable Future

Annual Report 2021



Vision

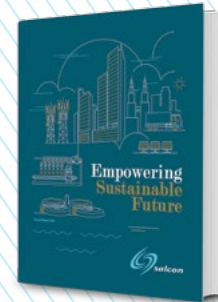
To be a respected and synergistic corporation **transforming lives for the better.**

Mission

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

Cover Rationale

Trusted by many, Salcon remains resilient by providing innovative solutions to its clients. The post pandemic environment has led us to strive to deliver our expertise and resources in an even more efficient and effective manner in order to empower sustainable futures for our next generations.



Scan the QR Code or view our Annual Report PDF online version at <https://www.salcon.com.my/investor-relations/Company-Report/annual-report.html>

19th

ANNUAL GENERAL MEETING

Time **Date**
10:30 a.m. Thursday, 23 June 2022

Broadcast Venue
Tricor Leadership Room,
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Mode of Meeting
Virtual Basis through live streaming
from the Broadcast Venue

Core Values



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



Results 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

Inside This Report

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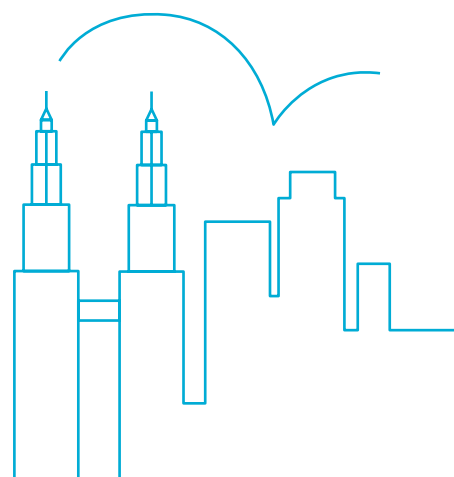
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About This Report

SALCON BERHAD [200201026133 (593796-T)]

Salcon Berhad is pleased to present its 2nd annual report adopting the structure in the Integrated Reporting framework as defined by the Value Reporting Foundation (VRF) (formerly known as International Integrated Reporting Council (IIRC)). This report provides a holistic overview of Salcon's philosophy and approach to creating true value over the long-term for its stakeholders including clients, customers, employees, investors and community. By incorporating the element of value creation into our reporting and understanding how these elements interact, we are better able to deliver sustained value for all stakeholders in the short, medium and long term.

SCOPE AND BOUNDARY

The report focuses information on business operations of Salcon, aptly disclosed through six capitals as defined by IIRC. All the six capitals cover information on a consolidated basis. The report covers the financial and non-financial information performance from 1 January to 31 December 2021. All financial statements have been prepared in accordance with the requirements of the Companies Act 2016 ("CA 2016") and Malaysian Financial Reporting Standards ("MFRS").

REPORTING FRAMEWORK

In preparing this report, we are guided by the following reporting framework:

NAVIGATION ICONS

Our Capitals



FINANCIAL CAPITAL



HUMAN CAPITAL



MANUFACTURED CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL

Our Focus Areas



BUSINESS GROWTH

Innovative Products & Services through Operational Excellence



LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner



HUMAN CAPITAL

Building a Thriving Workplace for Employees



ENVIRONMENT

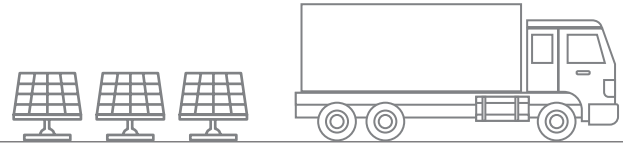
Protecting the Environment



SOCIAL CAPITAL

Enriching the Community

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CORPORATE & FINANCIAL DISCLOSURE

- <IR> Framework by International Integrated Reporting Council (“IIRC”)
- Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)
- Companies Act 2016 (“CA 2016”)
- Malaysian Code on Corporate Governance 2021 (“MCCG”)
- The Malaysian Financial Reporting Standards (“MFRS”)

SUSTAINABILITY DISCLOSURE

- Bursa Malaysia Sustainability Reporting Guide 2nd Edition
- Bursa Malaysia Corporate Governance Guide 3rd Edition
- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiatives (“GRI”) Standards

- AA1000 Stakeholder Engagement Standards 2015 (“SES”)
- Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations

MATERIALITY

We conducted our materiality assessment based on Bursa Malaysia Sustainability Reporting Guide 2nd edition and sought our stakeholders’ input in addition to the business perspectives to determine the material issues which impact our ability to create value for our stakeholders. Our strategic responses to these material issues are presented throughout this report.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements regarding the Group’s future performance, prospects and potential

opportunities for growth. However, such statements in relation to both financial and non-financial performance are not conclusive, and the actual implementation and results may differ from our expectations depending on a number of emerging risks, market uncertainties and other important matters that beyond management’s control that could adversely affect our business and financial performance.



APPROVAL BY THE BOARD

The Board acknowledges its responsibility to ensure the integrity of the Annual Report and adoption of IIRC’s Integrated Reporting Framework. In the Board’s opinion, the report addresses all material issues and matters and fairly presents the Group’s performance for 2021.

Key Material Issues

<p>MI1 Business Model & Financial Management</p>	<p>MI8 Critical Incident Risk Management</p>
<p>MI2 Project Management & Delivery</p>	<p>MI9 Employee Health & Safety</p>
<p>MI3 Supply Chain Management</p>	<p>MI10 Employee Engagement, Diversity & Inclusion</p>
<p>MI4 Business Ethics</p>	<p>MI11 Water & Wastewater Management</p>
<p>MI5 Systematic Risk Management</p>	<p>MI12 Pollution & Resources Management</p>
<p>MI6 Talent Attraction, Growth & Retention</p>	<p>MI13 GHG Emission & Climate Change</p>
<p>MI7 Technology & Innovation</p>	<p>MI14 Labour Practices</p>

Cross References

-  Tells you where you can find more information within the report
-  Tells you where you can find more information online at www.salcon.com.my

Our Businesses



Who We Are

SALCON BERHAD [200201026133 (593796-T)]

Sustainable Organisation

Salcon Berhad (“Salcon”) is a well-diversified investment holding company with businesses in water and wastewater engineering & construction, healthcare, technology services, transportation, renewable energy and property development with presence in Malaysia, Vietnam, Sri Lanka, India and The United Kingdom.

The Group takes pride as a sustainable organisation with almost five decades of track record of excellence and experiences, having contributed to some of the nation’s most essential infrastructure developments while creating significant value that contributes to the socio-economic development of the nation.

OUR BUSINESS



WATER & WASTEWATER ENGINEERING

We provide end-to-end water and wastewater solutions from raw water management, design, construction, commissioning, concession, operation & maintenance of water and wastewater treatment facilities including downstream activities ie non-revenue water reduction, customer service, billings and collection.

Creating value by:

- ⇒ Providing communities with clean, safe and reliable water for healthy and sustainable living.

Where we operate:



HEALTHCARE

We manufacture medical and industrial grade disposable latex, nitrile and polychloroprene gloves which cover various market segments such as dental, food, healthcare, industrial and laboratory.

Creating value by:

- ⇒ Providing high quality grade disposable latex fulfilling demand in both the healthcare and non-healthcare segment.

Where we operate:



TECHNOLOGY SERVICES

We provide ultra-low latency mobile backhaul services as well as metro ethernet for carrier and enterprise markets through our fiber optic backbone in the Klang valley.

Creating value by:

- ⇒ Providing smart city solutions that focus on sustainable outcomes for citizens, municipal authorities and delivery partners through efficient and fast telecommunication networks.

Where we operate:



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OUR PURPOSE

Transforming lives for the better through sustainable business portfolios



We enrich people’s lives through our products and services whilst ensuring long-term, sustainable value creation for shareholders.



We build sustainable enterprises and seek to ensure that every company in our portfolio fulfils our requirements and makes a positive contribution to a more sustainable world.



We identify growth opportunities for new products and markets to improve returns on capital through sustainable value chains and operations whilst managing regulatory, reputational and operational risks & opportunities.



We provide workers transportation for multinational companies in the northern region of Malaysia, inbound and outbound tour services including providing palm oil and soy oil product transporting service.

Creating value by:

- ⇒ Enabling a safe & reliable travel experience while protecting & conserving our environment.
- ⇒ Delivering goods/services safely and minimising our carbon footprint.

Where we operate:



We provide green energy solutions for our partners to support and develop renewable energy technologies and initiatives as part of the global drive to create a sustainable future through the efficient use of renewable energy sources.

Creating value by:

- ⇒ Reducing carbon footprint by providing clean renewable energy sources to various industries.

Where we operate:



We offer niche property development which cater to market/community needs.

Creating value by:

- ⇒ Providing quality, sustainable living environment & memorable experience for our customers.

Where we operate:



At A Glance



SALCON BERHAD [200201026133 (593796-T)]

BUSINESS OVERVIEW

Established in 1974	More than 5,000 MLD total water treatment capacity successfully delivered	More than 1,000 total water and wastewater projects completed	383 Employees under Salcon Berhad Group (as at 31 December 2021)	17 Branch/Subsidiary Offices
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SEGMENTAL NET PROFIT (RM'000)

Engineering & Construction (RM'000) 7,620 ▲ 261% FY 2020 (4,741)	Property Development (RM'000) (2,606) ▲ 42% FY 2020 (4,486)	Healthcare (RM'000) 13,244	Trading & Services (RM'000) 426 ▲ 148% FY 2020 (885)
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CREATING MEANINGFUL IMPACT

PEOPLE

- Achieved zero work-related injuries or fatalities of employees in FY 2021
- 37.4% of Women Representation in Senior Management**



injuries

** Senior Manager and above

COMMUNITIES

- Contributed 274 volunteer hours in 7 community projects
- RM255,905.00 invested for community development



ENVIRONMENT

- 37.89% Co₂ emission reduced



*excluding carbon emissions data from JREMT

AWARDS WON

- Asia Sustainability Reporting Awards (ASRA): Asia's Best Sustainability Report within Annual Report – Bronze
- 7th consecutive year recognised under FTSE4Good Bursa Malaysia Index



ASRA FTSE4Good

PARTNERSHIP

- Signed partnerships with Haveapac for the installation of Solar PV system
- Signed partnership with JR Engineering And Medical Technologies (M) Sdn Bhd to diversify into glove manufacturing under its newly added Healthcare Division

Corporate Information

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BOARD OF DIRECTORS

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

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Datin Goh Phaik Lynn
Non-Independent Non-Executive Director

Dato' Choong Moh Kheng
Independent Non-Executive Director

Chan Seng Fatt
Senior Independent Non-Executive
Director

Dato' Rosli bin Mohamed Nor
Independent Non-Executive Director

AUDIT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Rosli bin Mohamed Nor
Datin Goh Phaik Lynn

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
Leong Yi Shen
Jamiluddin Amini Bin Sulaiman

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor (Chairman)
Dato' Leong Kok Wah
Leong Yi Shen
Jamiluddin Amini Bin Sulaiman
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
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
Tel : 603-8024 8822
Fax : 603-8024 8811

AUDITORS

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

PRINCIPLE 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
(11324-H)]
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

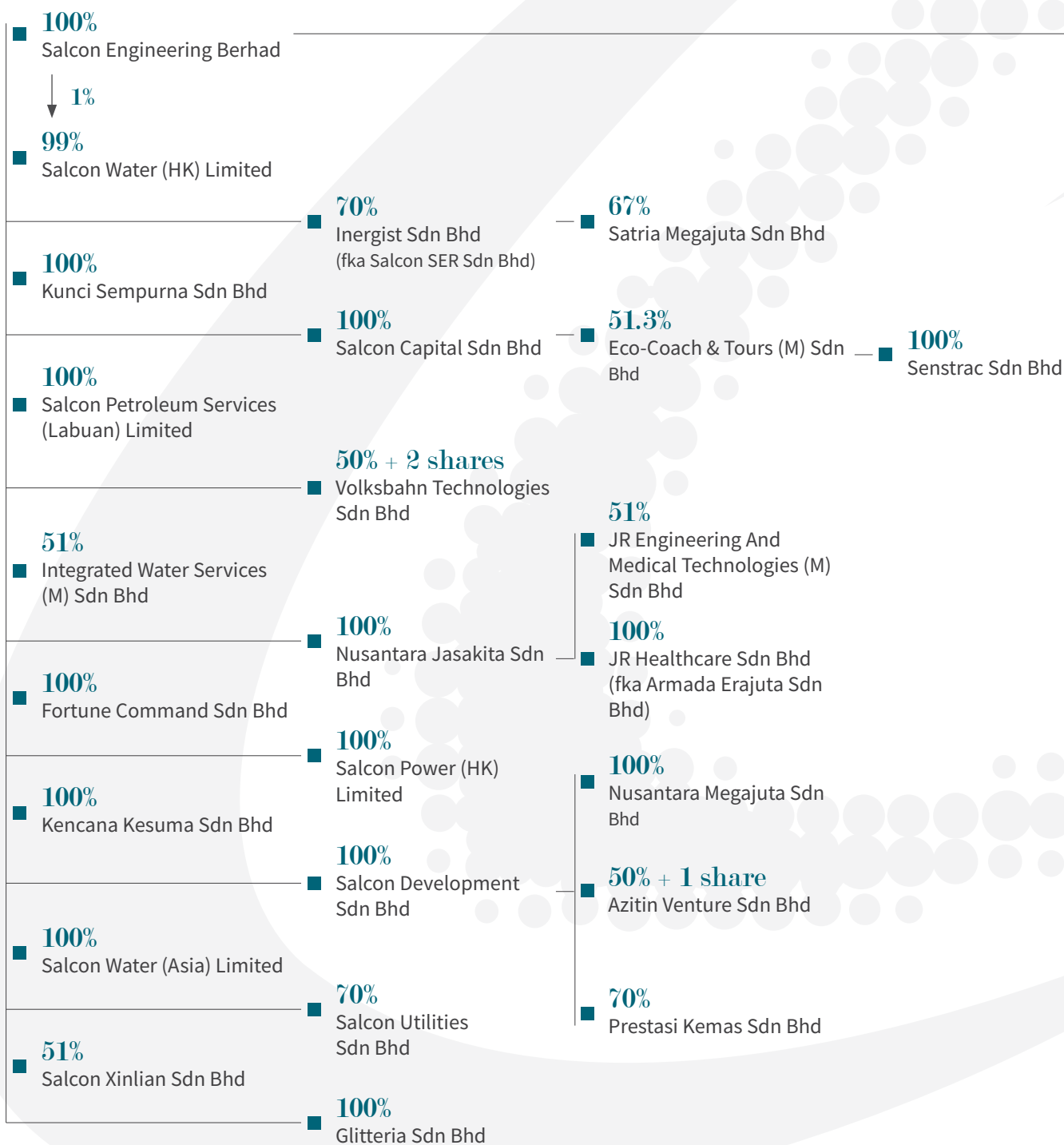
WEBSITE

www.salcon.com.my

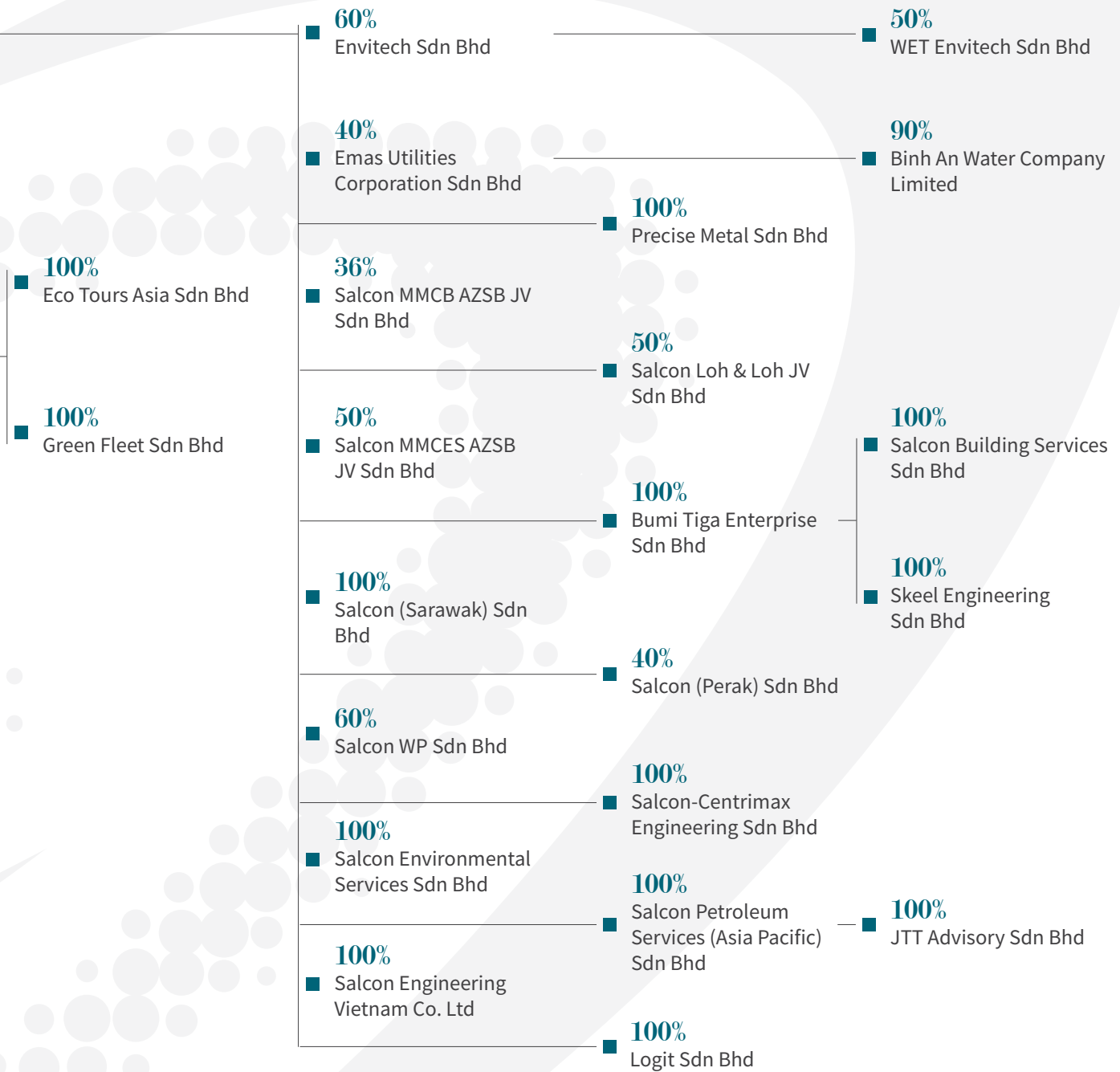
Corporate Structure (as at 31 March 2022)

SALCON BERHAD [200201026133 (593796-T)]

SALCON BERHAD



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Strategic Review

Chairman's Statement

SALCON BERHAD [200201026133 (593796-T)]

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Salcon Berhad ("Company"), I am pleased to present the 2021 Integrated Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group").

The Financial Year 2021 ("FY 2021") saw an increase in economic activities as containment measures for the COVID-19 pandemic were progressively relaxed and daily new infections trend downwards. As the national economy continues to recover, the Group strengthened its business model resilience strategies to broaden its earnings base and expand its range of products and services.

During the financial year, the Group achieved a positive turnaround in its financial performance, marking a return to profitability through improved performances of its core businesses and contributions from the newly acquired healthcare business, JR Engineering And Medical Technologies (M) Sdn Bhd ("JREMT"). The Group returned to the black with a net profit of RM16.8 million for the FY 2021, compared with a net loss of RM8.1 million in the previous year. The Group's financial results and segmental performances are further detailed in the Management Discussion & Analysis section of this Annual Report.

REWARDING OUR SHAREHOLDERS

With the improved financial performance, I am pleased to announce that the Board has recommended a final dividend via distribution of treasury shares as share dividends on a basis of one (1) treasury share for every forty (40) existing ordinary shares held in Company for the FY 2021, subject to the shareholders' approval at the forthcoming annual general meeting.

FUTURE FOCUSED

The COVID-19 pandemic has fundamentally changed the business environment in which we operate, and we have to constantly anticipate, adjust, adapt and strategise in response. In these challenging times, the Group remains very much focused in

**Tan Sri Abdul Rashid bin Abdul Manaf**

Chairman,
Independent Non-Executive Director

**STRATEGY
IN ACTION**

For information on our strategic growth drivers & priorities, see page 27.

**OPERATIONS
REVIEW**

For information on the Group's business operations, see pages 28 to 43.

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executing our business model resilience strategy which is centered on four (4) strategic drivers, namely Strategic Diversification, Driving Technology & Innovation, Cost & Operational Efficiency & Improved Organisational Effectiveness, to grow and maximise long-term value creation for our stakeholders.

These strategies have certainly begun to bear fruit with the acquisition of JREMT and is testament to the Group's resiliency in the face of external pressures. Whilst average selling price ("ASP") for gloves have declined from their peak, prospects of the Group's newly formed Healthcare division are expected to remain resilient as the sector is expected to experience a structural change. Beyond the COVID-19 pandemic, the demand for gloves will likely remain high due to increased healthcare standards in emerging economies, growing government expenditure on healthcare reform, increasing awareness of health-related issues and an ageing population in the developed and emerging economies. Further, the acquisition of JREMT comes with a profit guarantee of RM10 million per annum in JREMT for financial years ending 2021, 2022 and 2023. Moving forward, the Board is confident of delivering sustainable growth and building a stable earnings stream.

Prospects in the water and wastewater sector remains robust as the federal government continues to make huge investments to improve the water quality and services in the country. Under the Twelfth Malaysia Plan ("12MP"), a total of RM26 billion has been allocated for water infrastructure projects to improve water supply coverage and services as well as to implement non-revenue water (NRW) reduction programmes to reduce NRW levels to 25% by 2050 (2020: 36.4%). The Group is expected to potentially benefit from the 12 MP with its proven track record and experienced management.

The Group's investments in technology services, transportation and renewable energy are also contributing positively to the Group and we look forward to greater synergies and higher contributions from these divisions in the coming years.

With Malaysia on track to revive its economy in 2022 through an expansionary budget, driven by strong economic performance with estimated growth of between 5.5% and 6.5%, the Group is optimistic of its future prospects given the strong fundamentals, track record, and the demonstrated capability, dedication and team spirit of our employees, management and the Board.

SUSTAINABILITY – A VALUE CREATION JOURNEY

As a responsible corporate citizen, the Group acknowledges the need to balance our healthy economic performance with responsible environmental and social considerations which emphasises the Group's sustainable development practices. As we continue our sustainability journey, our ultimate aim is to deliver a sustainable performance whilst ensuring long-term value creation for all our stakeholders.

It is in this context that the Group committed to the adoption of Integrated Reporting ("<IR>") framework implemented by the Value Reporting Foundation ("VRF") as a crucial step towards better governance and an ideal tool to CREATE VALUE for our stakeholders. <IR> enables the Group to clearly articulate our strategy and business model, better identify risk and opportunities, improve internal processes leading to a better understanding of the business and improved decision-making. More importantly, <IR> enables us to think in an integrated and holistic manner to address sustainability issues, which encompasses environmental, social, and governance ("ESG"), which is central to the company's competitiveness and continued ability to operate. In order to increase awareness and obtain buy-in of the Group's senior management team, an <IR> briefing was conducted by the Malaysian Institute Accountants.

The Group's commitment in its sustainability efforts was recognised at the 2020 Asia Sustainability Reporting Awards (ASRA) where we won Asia's Best Sustainability Report (within Annual Report) – Bronze. Besides this, the Group has also been

included in the FTSE4Good Bursa Malaysia Index for the 7th consecutive year.

CORPORATE GOVERNANCE

The Group has consistently practiced good corporate governance, reflecting its belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests.

This is very much in alignment with the Malaysian Code on Corporate Governance ("MCCG") 2021 which addresses the urgent need for companies to manage ESG risks and opportunities, with the introduction of new best practices that emphasise the need for collective action by boards and senior management.

The Board will continue to focus on further improving board policies and practices, strengthening oversight of sustainability risks and opportunities, integrating sustainability goals with business strategy and operations, and promoting meaningful engagement with our stakeholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our clients, business partners, suppliers, government authorities and regulators for their steadfast cooperation and trust in the Group. My appreciation for my esteemed colleagues on the Board for their perceptive insights and wise counsel which truly helped the Group steer through the challenges while paving the way for our further growth and success. Last but not least, a big thank you to our dedicated and hardworking Management team and employees for their resilience in the face of adversity and their tireless commitment to excellence.

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

Strategic Review

Our Business Environment
& Way Forward

SALCON BERHAD [200201026133 (593796-T)]

Business Divisions

Operating Environment

Water and
Wastewater
Engineering

- Demand of water & wastewater infrastructure works in Malaysia remain encouraging with budget allocation of RM26 billion under the 12 Malaysia Plan
- Demand for digital technology for smart water management, water reclamation plants for water reuse etc driven by focus on environmental sustainability
- Impact on business due to challenges posed by COVID-19 pandemic such as movement restriction, volatile supply chain, currency depreciation, outflow of funds and reduced FDI
- Regulatory and political uncertainties caused by changes in government
- Competitive challenges on materials pricing, quality compliance expectation vs budget constraints and unpredictable competitors

Healthcare

- Declining ASPs (Average Selling Price) of rubber gloves amid moderating demand for gloves due to increased supply and rising vaccination rates
- Shortages in raw materials or increases in raw material prices due to increase in global demand conditions and higher labor costs brought on by foreign labor restrictions
- Labour shortages due to government restriction on number of foreign workers coming to the country during COVID-19 pandemic
- Mass rollout of vaccination programmes in major glove consuming countries
- Concern of forced labour issue and living condition of workers
- Number of companies have diversified into rubber glove manufacturing, seizing the business opportunity from the pandemic

Technology
Services

- Adoption of 5G Network fuel requirement for more data bandwidth
- Under the Jalinan Digital Negara (JENDELA) nationwide fiberisation and connectivity plan, the government plans to expand the reach of the internet to every corner of Malaysia
- MCMC oversees all telecommunication activities and strict local authority guidelines
- Competition from other network facilities provider & network service providers whilst the 5G rollout will change the competitive landscape of the Malaysian mobile market

Transportation

- MNCs increasing demand for digital transportation system for their employees such as GPS system, attendance system, and digital route planning system
- Logistic services (Green Fleet) such as the transportation of CPO from mills to refineries and to ports or packaging locations not affected as palm oil is considered to be in the essential sector
- Measures to curb the risk of infection and preventing COVID-19 such as social distancing orders, and shutdowns, impacted MNCs workforce and operations
- Global demand for palm oil has been growing steadily for the past decade driven by the growing demand for vegetable oil, food-related packaging and bioenergy
- Penang Transport Master Plan's initiatives to improve road network and connectivity to mitigate worsening congestion
- Growing focus on low carbon energy sources including hydrogen
- Direct competition with other transportation and logistics services companies

Renewable
Energy

- Malaysia has an encouraging future of renewable energy adoption, complemented by a broadly attractive investment environment
- Growing focus on Environmental, Social, and Governance ("ESG") practices in the corporate world in recent years
- Rising cost of raw material of solar panels
- Renewable energy to account for 31% of Malaysia's total energy capacity by 2025 under the 12th Malaysia Plan
- The market for solar PV system is competitive and continually evolving

Property
Development

- Weak market sentiments impacting property development during the pandemic
- Bank Negara Malaysia announced multiple rounds of overnight policy rate ("OPR") reduction to a record low of 1.75% currently as an additional measure to accelerate the economic recovery
- Government policies on foreign labour
- Increasing digitalisation and technical adoption

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- Market Trend
- Regulatory Environment
- Macroeconomic
- Competitive Landscape

Strategic Implications

Way Forward

- Opportunities remain as water/wastewater infrastructure is essential to ensure sustainability and security
- Project delays and higher cost of goods incurred affecting sustainability and profit
- Higher compliance costs and impact government's decisions on fund allocations for water and wastewater infrastructure
- Requirement for accurate and reliable market intelligence to source out pricing and opportunities

- Leverage on proven track record and technical expertise to secure major infrastructure projects
- Collaborate with strategic technology partners for new digital technology innovations/technology upscaling/manpower upskilling
- Actively engage with project stakeholders ie clients, suppliers/sub-contractors, consultants to manage costs and practise prudent financial management
- Maintain strong balance sheet and conserve cash for opportunities
- Engage with government authorities and regulatory bodies to manage and align expectations and protect industry interests
- Enhance market intelligence & adopt innovative approaches such as PFI, identify niche market for expansion

- Reduced profit margins due to declining ASP
- Fluctuation in market prices of raw materials
- Lower production efficiency due to lack of labour
- Buyers are cautious on replenishing orders as there is less urgency
- Licences, permits, approvals & certificates may get revoked, suspended or not renewed from relevant government authorities for the operations in Malaysia and foreign countries
- Rising of glove players in the market and result in intensifying competition and cost battling
- Threats from new glove companies overseas i.e. China, Thailand

- To leverage on trading services and produce other types of gloves with higher margin to expand income stream
- Expanding automation and proactively hiring Malaysians, despite higher wages
- Defer expansion plans to be in line with market trends and the demand supply situation
- Regulatory compliance a key pillar in ensuring positive reputation with stakeholders
- A long-term strategy plan to market the products and build up branding for the company through market and social engagement
- Surplus in glove supply will likely be offset in part, by the steady and consistent growth in global glove demand. Glove demand which continues to be driven by strong market fundamentals, was already growing at a rate of 10% yearly pre COVID-19 and is expected to increase further even after the pandemic recedes, on the back of heightened glove usage and hygiene awareness

- Opportunities to secure contracts remain promising
- Effort by regulatory to drive down the bandwidth prices and affecting revenue
- Opportunities to support the Government's initiatives with addition of new site and increased bandwidth capacity requirements
- Fine & compound, revocation of license and permit if not in compliance with regulations
- Competitive pricing required for services provided

- Adapting operations to cater for 5G deployment
- Maintain and enhance commercial and technical relationship with major telcos to provide fast-to-market services
- Align network expansion in conjunction with Jendela
- Abide to all regulations set by regulatory bodies involved in delivery of service
- Work together with MCMC to monitor the network performance and to facilitate any challenges on the ground faced by service providers
- Collaboration with strategic partners
- Operate in a cost-efficient manner to counter price erosion

- Competitive advantage opportunity for ECT due to increasing demand for Senstrac Focas Passenger Transport and Tracking System
- Opportunities in expanding oil logistic service and collaborate with strategic partners to drive growth
- Higher compliance costs for COVID-19 prevention
- Opportunities in securing Palm Oil and Soy Oil contracts and collaborate with strategic partners to drive growth
- Opportunities to align strategic objectives with government's development plans
- The growing needs to diversify energy sources to low-CO₂-emissions transportation such as EVs
- Increasing needs to differentiate ECT from other competitors and compete with other modes of transportation

- Prioritise marketing and promotional activities of Senstrac Focas Passenger Transport and Tracking System
- Diversify commercial relationships with other potential MNCs customers
- Increase provision of transportation services to meet rising demand, with full compliance to COVID-19 SOPs
- Maintaining and enhancing existing commercial relationship with palm oil and soy oil companies
- Identify opportunities and engage with relevant government bodies to support nation development plans
- The long-term strategy to adopt low carbon fuel as one of the competitive advantages
- Accelerate technology and innovation plans to compete with direct competitors

- Gradual growth in RE market segments and opening up more business opportunities for investment and competition in RE
- Increasing demand on clean & renewable energy from big corporations in local and global market
- Polysilicon, an essential material in solar photovoltaic (PV) manufacturing, is seeing a severe supply squeeze for manufacturer
- High growth potential for installation of SolarPV system in Malaysia
- Increasing number of competitors in Malaysia and overseas
- Resulting in price reductions in the market and lead to loss of market share & exposed to profitability pressure

- Strengthen the business model in RE and expand portfolio in solar PV system through joint ventures and partnerships
- Pose short-term challenge but long-term viability remains intact due to global push for renewable energy
- Proactive engagement with government authorities i.e. SEDA for facilitation programme on SolarPV System
- Remained steadfast on advancing technical capabilities, improving operating efficiencies and ensuring high levels of customer service, work quality and project delivery
- Resources required to explore new technology and innovation or to collaborate with strategic partners

- Financial impacts including less business opportunities and revenues, coupled with high holding costs
- The attractive low interest rate environment improved the affordability for home buyers to secure their ideal home with more savings in monthly instalment payment
- The freeze in the sourcing of foreign workers and border closure increased labour costs, limits the supply of labour and increased related compliance costs
- Resources required to explore new technology and innovation or to collaborate with strategic partners

- Reviewing strategic plan to entering JV agreements with partners to provide one-stop healthcare lifestyle centre
- Align marketing and promotional activities as well as property launches with the respective incentives
- Adopt construction and automation technologies that reduce reliance on unskilled, manual labour
- Accelerate technology & innovation plan

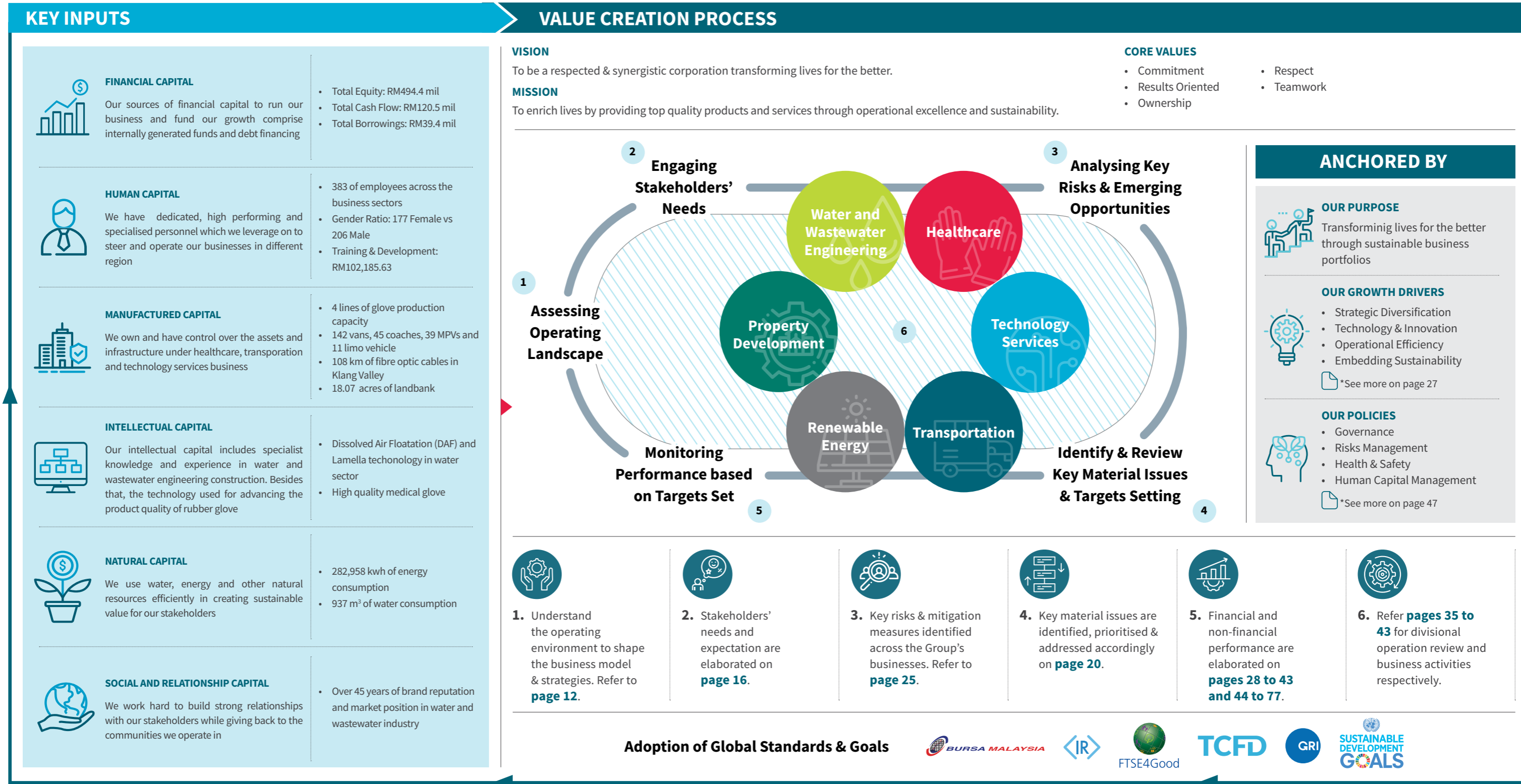
Value Creation Business Model

Our Value Creation Model is based on the Integrated Reporting <IR> framework and gives an overview of how we create value for our stakeholders based on the six input capitals i.e. Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital, Natural Capital and Social and Relationship Capital.

Strategic Review

Value Creation Business Model

SALCON BERHAD [20201026133 (593796-T)]



KEY OUTPUTS

- Increased segmental profit contributed by the diversified business



- Gearing Ratio: 0.08
- Proposed a final dividend comprising a share dividend of one (1) treasury share for every forty (40) existing ordinary shares
- Profit guarantee of RM10 mil from glove manufacturing segment

*See more on page 29

- Monitored and controlled the spread of COVID-19 cases within the organisation
- Continuous engagement with employees with activities via virtual platform despite inconveniences caused by movement restriction



- Achieved 2.9mil manhours without LTI
- 100% of employee submit COVID-19 self-test once every month (office) and weekly (project sites)
- 49 employees joined beach cleanup at Pantai Remis
- Average training hours per employee: 1.79 hrs

*See more on pages 55-57, 74

- Ensured continuous service/product delivered



- 420 million pcs of production capacity from 4 production lines
- Delivered 18 cells sites along the LRT corridor

*See more on page 38, 42

- Increased efficiencies by deploying innovative operations and technologies



- Successfully completed Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (AiS)
- Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel

*See more on page 25, 36

- Strengthened commitment on environmental impact and carbon footprint through board oversight and green initiatives



- Reduction of 37.89% in carbon emissions intensity
- Increased rating in FTSE4Good index from 3.5 to 3.7

*See more on page 46, 70

- Continued commitment in philanthropic activities



- Donated RM200,000 to ease the burden of flood victims
- Collected a total amount of RM9,953.02 in the Walk For Water Campaign to install water filter system for Orang Asli village
- Donated more than RM12,000 to various charity homes

*See more on pages 76 to 77


Strategic Review

Engaging Our Stakeholders







SALCON BERHAD [200201026133 (593796-T)]

Salcon regularly engages with its stakeholders in soliciting a wide range of inputs, perspectives and other types of feedback towards guiding its sustainability journey. Key stakeholders were identified by mapping their level of influence on and level of interest in the Company to ensure that the Group is inclusive in its approach and remains on track towards ensuring value creation for both the Group and its stakeholders.

The table below illustrates our method of engagement with each stakeholder groups, frequency of engagement, their expectations and the manner in which we address their expectations.

Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference	
Employees 	<ul style="list-style-type: none"> Salaries & benefits/well-being Career enhancement Occupational health & safety Employee activities/events Group's latest strategic initiatives and business development 	MI6	<ul style="list-style-type: none"> On-job training & workshops opportunities 	As needed	<ul style="list-style-type: none"> Leadership trainings and personal development workshops for improved work efficiency 	55	
			<ul style="list-style-type: none"> Employee performance review & rewards Employee entitlements & benefits Employee Satisfaction Survey 	Annually As needed Bi-annually	<ul style="list-style-type: none"> Recognizing and rewarding our employees' contributions 	55	
		MI9	<ul style="list-style-type: none"> SHE Committee Meeting Toolbox Training Safety & Health Campaign 	Quarterly Weekly Annually	<ul style="list-style-type: none"> Regular meetings, trainings and campaigns to raise awareness on potential safety and health risks for all employees 	57	
			MI10	<ul style="list-style-type: none"> Festive celebrations 	As appropriate	<ul style="list-style-type: none"> Fostering positive relationships amongst colleagues 	59
				<ul style="list-style-type: none"> Company Social Media platform i.e. Facebook, LinkedIn, Instagram 	As needed	<ul style="list-style-type: none"> Providing up-to-date information on the company's direction/ news/ activities 	-
		<ul style="list-style-type: none"> Internal newsletter 	As needed	-			
		<ul style="list-style-type: none"> Work-life balance activities 	As needed	<ul style="list-style-type: none"> Organising fun activities in the office to foster good work-life balance 	59		









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Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Shareholders/ Investors 	<ul style="list-style-type: none"> Economic and financial performance Dividend and growth prospect Sustainability performance 		<ul style="list-style-type: none"> Analysts/ bankers/ fund managers meeting 	As needed	<ul style="list-style-type: none"> Building strong network connection with analysts/ bankers/fund managers and keeping them up-to-date with the Group's performance 	-
			<ul style="list-style-type: none"> Annual General Meeting 	Annually	<ul style="list-style-type: none"> Sharing the company's economic performance, business direction and strategies with our shareholders Rewarding our shareholders through dividend payment 	10
			<ul style="list-style-type: none"> Salcon Investor Relations Webpage 	As needed	<ul style="list-style-type: none"> Providing latest financial information and corporate initiatives 	-
Clients/ Customers 	<ul style="list-style-type: none"> Timely delivery Quality works/ services Innovative solutions Pricing of product/ services 		<ul style="list-style-type: none"> Client satisfaction survey Regular project meetings 	Annually	<ul style="list-style-type: none"> Review the feedback from clients through satisfaction survey and project meetings 	49
			<ul style="list-style-type: none"> Customers services (at billing services center in Sandakan office) 	Daily (working day)	<ul style="list-style-type: none"> Improve facilities to enhance customer's comfort and convenience at billing services center 	50
Regulators/ Government Authorities 	<ul style="list-style-type: none"> Regulatory framework governing business operations Legal compliance, statutory duties and responsibilities 		<ul style="list-style-type: none"> Full compliance with Bursa Securities, Securities Commissions and Quality Management (ISO 9001) policies and guidelines 	As needed	<ul style="list-style-type: none"> Keeping abreast with the current market regulations through active engagement with the authorities 	50
			<ul style="list-style-type: none"> Environmental compliance at project sites 	As needed	<ul style="list-style-type: none"> Include biodiversity risk assessment as one of the element in the risk register Effectively managing our resources through data monitoring Conduct awareness programme on environmental issues and compliance knowledge for the employees and site workers 	62



Strategic Review

Engaging Our Stakeholders

SALCON BERHAD [200201026133 (593796-T)]

Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Business Partners/ Associate Partners 	<ul style="list-style-type: none"> Strategic business planning Long-term business relationships 		<ul style="list-style-type: none"> Strategic business planning meetings 	As needed	<ul style="list-style-type: none"> Strategic business plan and budget planning session held with all heads of subsidiaries Monitoring financial performance through monthly/quarterly operation meetings 	-
Local Communities 	<ul style="list-style-type: none"> Socioeconomic development Safety & Health Impact of operation on community and environment Employment opportunities 		<ul style="list-style-type: none"> Charitable giving 	As needed	<ul style="list-style-type: none"> Building positive relationships with the community and attend to their needs 	76
			<ul style="list-style-type: none"> Internship opportunities 	As needed	<ul style="list-style-type: none"> Hired a total of 2 interns from universities in department related to their study field 	77
			<ul style="list-style-type: none"> Salcon Water Genius Challenge 	As needed	<ul style="list-style-type: none"> Raising awareness of water issues and reduce water consumption 	75
			<ul style="list-style-type: none"> Local employment 	As needed	<ul style="list-style-type: none"> Supporting local communities at project sites as stated in the policy 	77
Suppliers/ Sub-contractors 	<ul style="list-style-type: none"> Pricing and good payment practices Long-term working relationship 		<ul style="list-style-type: none"> Suppliers & sub-contractors evaluation 	Annually	<ul style="list-style-type: none"> Monitor performance and improve efficiency through yearly assessment of the suppliers/sub-contractors' performance 	50
			<ul style="list-style-type: none"> Tender & bidding/ quotation requests Procurement policies & system 	As needed As needed	<ul style="list-style-type: none"> All suppliers and sub-contractors are required to acknowledge the company's statement of policies and business ethics before signing the contract 	50
Media 	<ul style="list-style-type: none"> Business growth ESG practices & performance 		<ul style="list-style-type: none"> Media releases One on One interviews 	As needed As needed	<ul style="list-style-type: none"> Promoting company branding and reputation through public relation strategies in place 	-

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Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
<p>Non-Governmental Organisations (NGOs)</p> 	<ul style="list-style-type: none"> • ESG practices & performance • Impact to the environment and communities 	<p>MI16 MI13</p>	<ul style="list-style-type: none"> • Partnership and support in community, and environmental sustainability • Support related NGOs 	<p>As needed</p>	<ul style="list-style-type: none"> • Collaborate with NGOs in relation to the Group’s social and environmental approach 	<p>74</p>
<p>Industry Associations</p> 	<ul style="list-style-type: none"> • Building good relationship with industry peers 	<p>MI1</p>	<ul style="list-style-type: none"> • Industry exhibitions and conferences • Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) 	<p>As needed As needed</p>	<ul style="list-style-type: none"> • Keeping track with industry updates • Fostering good relationships with industry peers 	<p>-</p>

Strategic Review

Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

The materiality assessment helps the Group in identifying, refining and focusing on the areas of importance to our business and stakeholders and subsequently help to create values over the short, medium and long term for the Group. This year, the Group reviewed its material matters, taking into consideration the following factors which were raised in view of the current operating environment:

	FACTORS	IMPACT ON BUSINESS/STAKEHOLDER'S EXPECTATION
	Newly ventured business in glove manufacturing	<ul style="list-style-type: none"> • Profitability/Revenue contribution • Production volume, efficiency and safety performance
	Social licence to operate/Increased ESG awareness	<ul style="list-style-type: none"> • Labour issue • Compliance to environmental related regulations & laws • Governance
	Operational efficiency	<ul style="list-style-type: none"> • Talent management • New production technologies
	Safety & Health during COVID-19 pandemic	<ul style="list-style-type: none"> • COVID-19 SOPs protocol at project sites and offices • Disruption of work progress
	Bursa Securities & MCGG new requirement on climate change disclosure	<ul style="list-style-type: none"> • Board's oversight on climate-related risks & opportunities, updates to FTSE4Good and TCFD requirements

METHODOLOGY

Our materiality assessment is guided by the Bursa Malaysia's Sustainability Reporting Guide (2nd Edition), GRI Framework, <IR> Framework and SASB materiality map. We assess materiality based on two dimensions:

- The impact to Salcon and
- The importance to key stakeholders.

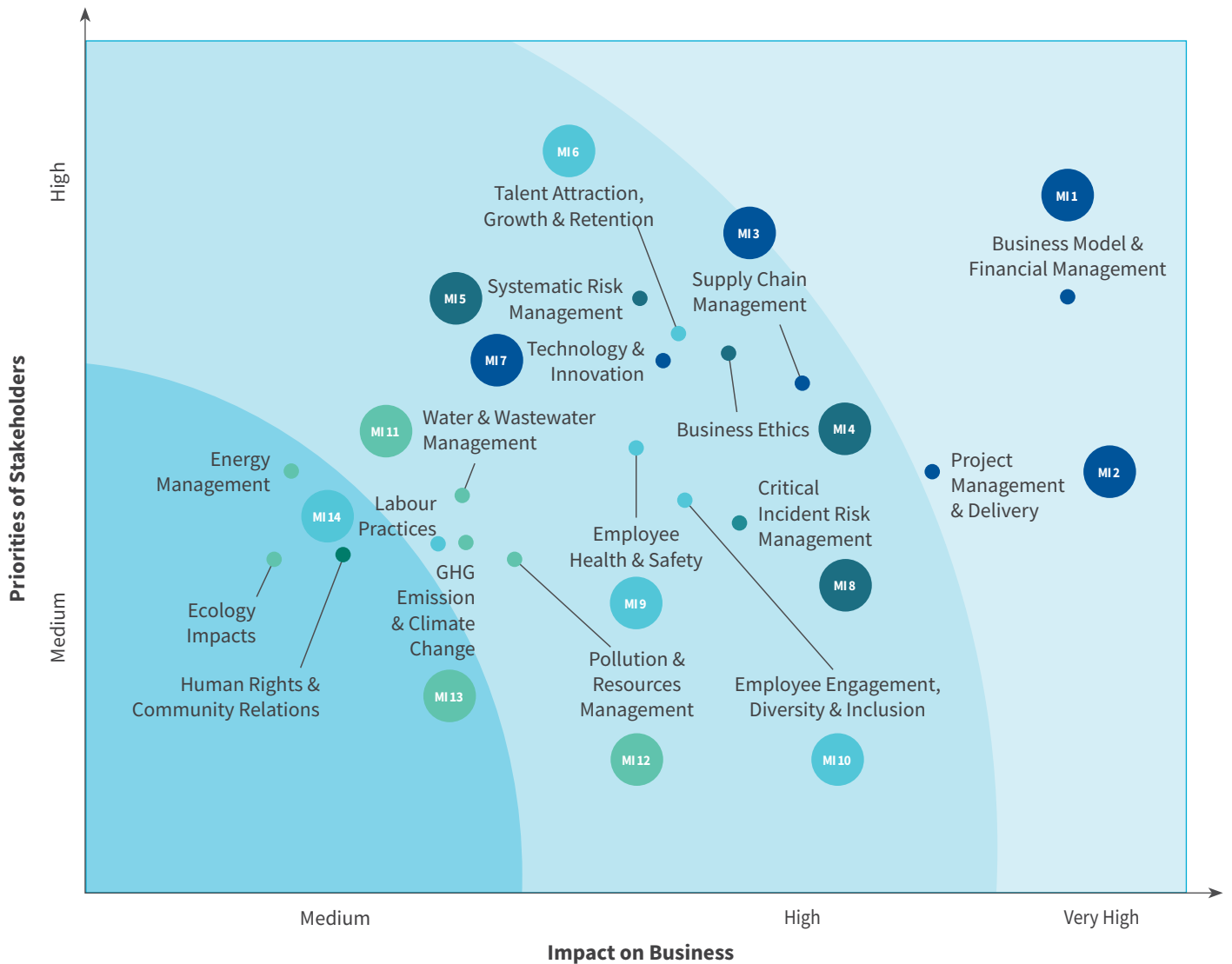


The materiality assessment process is detailed in the Group's official website at www.salcon.com.my/sustainability






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MATERIALITY MATRIX

In FY 2021, we re-ranked the Group’s 14 key material issues and elevated Labour Practices and GHG Emission & Climate Change as the Group’s key material issues based on the influence on our business and stakeholder expectations as well as the significance of economic, environmental and social impacts (between medium to very high). Based on this, the key material issues were mapped onto a matrix to help visualise their relative importance to the Group and our stakeholders as below:



Focus Areas

- 
 ● Business Growth
- 
 ● Leadership & Governance
- 
 ● Human Capital
- 
 ● Environment
- 
 ● Social Capital

Strategic Review






Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

MATERIALITY ANALYSIS

The table below describes the Group's key material issues and how we address the fourteen (14) key material issues across our business and their relationships within the five focus areas of the Group i.e. *Business Growth, Leadership & Governance, Human Capital, Environment & Social Capital*, which forms a foundation of our values creation framework for our stakeholders.

We also align the key material issues with the Sustainable Development Goals ("SDG") and the United Nations Global Compact ("UNGC") principles to play a part to positively impact the world through our sustainability initiatives. After a strategic review on the SDGs and underlying targets, we outlined the 10 SDG that we found most aligned with our key material issues.

Ranking	Material Issues	Description	How we address the issues
BUSINESS GROWTH			
			
MI1	Business Model & Financial Management	Economic value generated and distributed by the Group in our value-creation process.	<p>Our business model is driven by key strategic growth drivers.</p> <p> See Strategic Review under MD&A on page 27.</p>
MI2	Project Management & Delivery	Process of leading the work of our project teams to achieve goals and meet success criteria within a specified time and budget.	<p>Clients Satisfaction Surveys are conducted to gauge the satisfaction level on our product/services.</p> <p> Details of client satisfaction survey is reported on page 49.</p>
MI3	Supply Chain Management	Management of ESG risks within our Group's supply chain and addresses the issues associated with sub-contractors' & suppliers' operation activities.	<p>We are committed to working with our suppliers, sub-contractors and other supply chain partner who share our values and work innovatively.</p> <p> See Supply Chain Management on page 50 for more details.</p>
MI7	Technology & Innovation	The Group's strategy of developing new services and products to fulfil the needs and trends in the marketplace.	<p> See Technology & Innovation section on page 51.</p>

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Ranking	Material Issues	Description	How we address the issues
LEADERSHIP & GOVERNANCE			
MI4	Business Ethics	The management of ethical conduct within the Group's operation while providing services that satisfy the highest professional and ethical standard of the industry.	The Group has a clear and robust framework to guide ethical decision-making.  Read more about our Corporate Governance Overview Statement on pages 88 to 92 to understand how this is addressed.
MI5	Systematic Risk Management	The management of the business risks and the mechanism addressed in the system to mitigate the risk impact.	 See Key Risks & Mitigations on pages 25 to 26 for more details.
MI8	Critical Incident Risk Management	The alignment of our operations, services and functions to manage assets and situations to prevent or mitigate the occurrence of critical risks to the Group.	Crisis Management Plan in place and regularly reassessed to ensure process and procedures are up to date.  See Leadership & Governance on page 52 .
HUMAN CAPITAL			
MI6	Talent Attraction, Growth & Retention	The Group's workforce strategy to prepare appropriate human resource to correspond to the company's business growth strategy.	Personal development and technical trainings are conducted to gear towards retaining the right mix of intellectual capital and cultural fit to propel the organisation forward.  See page 55 for more information on Employee Training and Development.
MI9	Employee Health & Safety	The Group's ability to ensure a safe and healthy working environment for our employees.	Proactive measures to prevent incidents and minimise risks has been implemented Group-wide.  See pages 56 to 58 for the Group's report on Safety & Health.
MI10	Employee Engagement, Diversity & Inclusion	The Group's ability to ensure its practices in human capital management embrace the building of a diverse and inclusive workforce.	Through equal opportunity and non-discriminatory hiring policies, the Group aims to provide equal employment, regardless of gender, race, disability, nationality, religion or age.  See page 58 to read more about the Employee Engagement, Diversity & Inclusion.
MI14	Labour Practices	Ensuring a work environment free from any form of unlawful discrimination in line with the International Labour Organisation (ILO) Core Conventions.	 See page 61 to read more about the Labour Practices.



Strategic Review

Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

Ranking	Material Issues	Description	How we address the issues
ENVIRONMENT			
MI11	Water & Wastewater Management	The efforts in ensuring effective water usage and proper treatment of effluent from our operations.	Water consumption monitoring and water-saving initiatives are being implemented across all operations.  See Water & Wastewater Management on pages 63 to 64 for more information.
MI12	Pollution & Resources Management	The management of our resources and pollution generated from our business activities which cover the treatment, storage, disposal and regulatory compliances.	We are focused on improving our monitoring and management mechanisms for hazardous and non-hazardous wastes and effluents, while complying with regulatory requirements in the locations we operate.  See Pollution & Resources Management on pages 64 to 65 for more information.
MI13	GHG Emission & Climate Change	The efforts and initiatives in minimising the environmental impact from its businesses with effective energy and carbon management.	Board's oversight on climate-risks with the appointment of Independent Non-Executive Director, Dato Rosli Bin Mohamed Nor as Advisor – Climate Change.  See GHG Emission & Climate Change on page 67 for more information.

Strategic Review

Key Risks & Mitigations





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Salcon leverages on its risk management framework to identify, measure and monitor strategic and operational risks, giving management a clear risk oversight to enable informed decision-making.

Salcon's Integrated Risk Management Policy is broadly based on ISO 31000 International Risk Management Standard which sets the foundation on how risks are being managed, and the responsibilities of management team to assess significant threats and opportunities related to the company's goals.

Key risks identified by owners and senior leaders are aggregated to produce Salcon's top risks profile and reported by the Internal Audit & Risk Management Department ("IARM") to the Risk Management Committee ("RMC") at least once a year to discuss the potential risks issues in the Group and to review its effectiveness according to the currently business operating environment and report them to the Board for governance oversight. Further details of our Risk Management Framework are available in the Statement on Risk Management and Internal Control, pages 95 to 98 of this report.

The key risks that are common across all business segments together with mitigation measures are tabled below.

Risk	Description	Mitigation Measures	Related Material Matters
Financial Risk	<ul style="list-style-type: none"> Credit risk exposure to external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates and etc. 	<ul style="list-style-type: none"> The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements on page 95 to 98. 	
Competition Risk	<ul style="list-style-type: none"> Intense competition from local players/ global players. 	<ul style="list-style-type: none"> Keep informed through market intelligence/surveillance, news media and trade journals. Initiatives to increase service capabilities and reliability in line with economic conditions and market demand. Yearly customer satisfactions survey and feedback. 	
Geopolitical Risk	<ul style="list-style-type: none"> Every country in which we operate has its own set of geopolitical risks, based on the political environment and government stance on foreign direct investment. 	<ul style="list-style-type: none"> Build good rapport with local authorities and regular visit to ensure smooth operations. Closely monitor the political environment through news media and regular discussion with Management on local geopolitical climate. 	
Regulatory and Litigation Risk	<ul style="list-style-type: none"> Amendments, revisions or introduction of new regulations may disrupt business processes, delay approvals or necessitate changes to operations. Failure to meet contractual obligations with clients, vendors and other parties. 	<ul style="list-style-type: none"> Build rapport and work closely with government regulators and authorities to stay abreast with current developments in legislation and comply with applicable laws and regulations. Continuous review and management of contractual terms and conditions by the business units to ensure compliance at all times. 	

Strategic Review

Key Risks & Mitigations

SALCON BERHAD [200201026133 (593796-T)]

Risk	Description	Mitigation Measures	Related Material Matters
Project Management and Construction Risks	<ul style="list-style-type: none"> Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes. 	<ul style="list-style-type: none"> Proper selection of sub-contractors, suppliers, consultants etc. Form Project Management Team to oversee and closely monitor on the project progress. Conducting periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation and etc. Strengthened in-house training measures to improve Project Management Team capabilities. Innovate & develop strategies that enhance operational efficiency and cost optimisation. 	MI1 MI2
Supply Chain Risk	<ul style="list-style-type: none"> Risk of unethical business practices/compliances through the supply chain management and processes. Risk of supply chain disruption arising from material shortages/global shipment congestion. 	<ul style="list-style-type: none"> Active sourcing for alternative materials or suppliers to ensure smooth supply of materials and reduce dependencies. New supplier to undergo a pre-qualification process prior to being included in the panel of approved suppliers. Yearly evaluation is conducted on existing suppliers and sub-contractors to assess their performance in areas including service delivery, quality of products and price competitiveness. 	MI2 MI3 MI4
Workplace Health and Safety Risk	<ul style="list-style-type: none"> Safety hazards that lead to worker accidents and injuries. Risk of non-compliance with the government's COVID-19 Standard Operating Procedures ("SOPs"). Risk of infection of COVID-19 to the Group's employees or contractors disrupt business operations. 	<ul style="list-style-type: none"> Well-defined health and safety policies and procedures are in place. Constantly raise awareness of health and safety via training. Audits and inspections are conducted periodically to ensure effective implementation and compliance. Pro-actively monitor and update relevant SOPs to be in line with the government's policies, frequent communication to employees on the development and precautions needed and improved work environment conditions. Distribution of Personal Protective Equipment including face masks, hand sanitisers and self-test kit to all employees. Implement work-from home or split team arrangement for non-essential employees where applicable to limit overall movement. 	MI9 MI5
People Risk	<ul style="list-style-type: none"> Inability to effectively manage succession planning, attract new talents, retain top talents in competitive market and adequately promote diversity and inclusion. 	<ul style="list-style-type: none"> Competitive salary packages, attractive performance-based rewards and positive working environment. Proactive succession and workforce planning to identify skill gaps and talent development needs. 	MI6 MI10

Strategic Review

Strategic Growth Drivers & Priorities

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During the year under review, the Group has remained very much focussed on building on its business model resilience strategy which has enabled it to weather the challenges brought about by the emergence of COVID-19. These four (4) strategic growth drivers have enabled the Group to diversify its offerings and protect its growth plans to increase resilience and maintain sustainable growth.

Growth Driver

FY 2021 Developments

FY 2022 Key Priorities

Strategic Diversification

- Successfully completed the acquisition of JR Engineering And Medical Technologies Sdn Bhd (“JREMT”) in March 2021.
 - Post-acquisition integration to maximise synergies and value creation to extract full potential of new Healthcare Division.
 - Align cultures & combine capabilities to advance competitive position to propel the company forward.
- Continue to pursue diversification to mitigate risks and enhance profitability.
 - Identify new opportunities to utilise surplus cash.

Driving Technology & Innovation

- Successfully completed Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (“AiS”) with the installation of 313 nos. of ultrasonic wireless smart meters of various sizes and performance monitoring.
 - Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel to extend engine life and improve fuel efficiency.
- Strategic alliances with specialist technical partners to accelerate technological edge and reduce R&D costs.
 - Enhancement of process control in business operations.

Cost & Operational Efficiency

- Integrate innovative digital solutions in facilitating a smooth working environment especially during the movement control order (“MCO”) with remote desktop gateway system in place and provision of technical assistance through messaging app for all employees.
- Optimise working capital.
 - Strengthen supply chain management to drive sustainable savings, including strategic sourcing and negotiations for secured projects/products.

Improve Organisational Effectiveness

- <IR> training conducted by Malaysian Institute of Accountants (“MIA”) for Board of Directors, heads of business units and head of departments to embed integrated thinking within the Group.
 - Agile Leadership training for heads of department.
 - Employee satisfaction survey conducted to better understand employees’ concern.
- Improve internal processes and operational efficiencies.
 - Embedding a culture of sustainability into our business planning and operation.
 - Enhance people management & working culture.
 - Improve talent attraction, talent retention and career development by developing a performance-driven culture.

Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Dear valued stakeholders,

Despite the ongoing pandemic that continues to impact our country and globally, we have successfully delivered a Revenue of RM286.9 million and Profit Before Tax of RM27.5 million for the year 2021.

In line with the Group's strategy to build a resilient business growth model, our Group has thrived because of our diversified portfolio. We are able to cushion the financial impact of some of our lesser performing subsidiaries with the outstanding performances of our Engineering & Construction division and our newly acquired Healthcare division.

Financial stability has always been a very important element of our strategy in charting our business position. As we continue to face a challenging external environment and the world strives to enter the endemic phase in the battle against COVID-19, we will continue to emphasise on our prudent cashflow and capital management to ensure our businesses are able to carry out their deliveries seamlessly in a timely manner. The group will also remain vigilant in looking for new business opportunities to expand our existing businesses as that will bring long term benefits to the Group.

I present before you the financials for FY 2021.

DIVISIONAL FINANCIAL REVIEW**Group Financial Performance**

RM'000	2021	2020	Var
Revenue	286,893	194,148	48%
Profit/(Loss) Before Tax	27,478	(8,750)	414%
Net Profit/(Loss)	16,776	(8,057)	308%

The Group achieved a total revenue of RM286.9 million in FY 2021, compared to RM194.1 million in the preceding financial year, representing an increase of 48% mainly attributed to the new addition of Healthcare Division.

The Group recorded a higher pre-tax profit of RM27.5 million compared to pre-tax loss of RM8.8 million in the previous year due to contribution from the newly added Healthcare Division and strong contributions from the Construction Division.

The Group has reported a net profit of RM16.8 million in the current financial year, compared to the net loss of RM8.1 million reported in the previous year mainly due to the new acquisition of Healthcare Division which recorded net profit of RM13.2 million in FY 2021 and contribution of RM7.6 million from the Construction Division.

Consolidated Cash Flow Analysis for FY 2021

RM'000	2021	2020
Net cash generated from/(used in) operating activities	39,079	(5,852)
Net cash used in investing activities	(45,568)	(9,044)
Net cash (used in)/generated from financing activities	(13,058)	31,675
Effects of exchange rate changes	(2,034)	5,413
Net (decrease)/increase in cash at year end	(19,547)	16,779
Cash & bank balances	120,536	142,836

The net cash generated from operating activities for FY 2021 amounts to RM39.1 million as compared to the net cash used in operating activities for FY 2020 amounts to RM5.9 million. This is mainly due to the contributions from the newly added Healthcare Division and contributions from the Construction division. The net cash used in investing activities amounts to RM45.6 million for FY 2021 compared to RM9.0 million in FY 2020, mainly due to the acquisition of the Healthcare Division. Net cash used in financing activities amounts to RM13.1 million in FY 2021 compared to net cash generated from financing activities amounts to RM31.7 million in FY 2020. This is mainly contributed from repayment of borrowings and repurchasing of treasury shares. The cash & bank balance as at FY 2021 is 15.6% lower at RM120.5 million compared to FY 2020 at RM142.8 million.

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Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	30,022	9,410	39,432

The Group has recorded borrowings of RM39.4 million as compared to RM32.1 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed to drawdown of borrowings amounting to RM12.5 million, acquisition of borrowings through business combination amounting to RM8.1 million, and repayment of borrowings amounting to RM14.3 million.

There were no bank borrowings denominated in foreign currencies as at the reporting date.

Capital Management

RM'000	2021	2020
Total borrowings	39,432	32,065
Lease liabilities	2,644	2,818
Less: Total cash & bank balances	(120,536)	(142,836)
Net borrowings/(Net Cash)	(78,460)	(107,953)
Owners' equity and non-controlling interests	494,429	467,763
Net gearing ratio (times)	0.08	0.07

In line with the Group's emphasis in prudent cashflow management, our Group is committed to maintain a healthy balance sheet with low gearing. Being in a net cash position, we are able to repay any short term and long term borrowings. Owner's Equity and Non-Controlling Interest increased 5.7% from RM467.8 million in FY 2020 to RM494.4 million in FY 2021.

Consolidated Financial Position Analysis for FY 2021

RM'000	2021	2020	Var
Non-current assets	303,508	134,253	126.1%
Current assets	357,752	461,242	-22.4%
Total assets	661,260	595,495	11.0%
Non-current liabilities	33,596	22,134	59.0%

RM'000	2021	2020	Var
Current liabilities	133,235	105,598	26.2%
Total liability	166,831	127,732	30.6%
Owners' equity	454,834	445,514	2.1%
Current ratio (times)	2.69	4.37	-38.4%
Net assets per share attributable to equity holders (RM)	0.45	0.44	2.3%

Total assets

The Group's total assets recorded RM661.3 million, increased by 11.0% compared to RM595.5 million in FY 2020 mainly due to the new acquisition of Healthcare Division.

Total liabilities

Total liabilities of the Group recorded RM166.8 million, increased by 30.6% compared to RM127.7 million mainly attributed to the increase in trade payables.

Owner's equity

Owner's equity increased by 2.1% to RM454.8 million as a result of share capital mainly due to the retained earnings recognised from the new acquisition of Healthcare Division.

Current ratio

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity, records 2.69 times, decreased by 38.4% compared to 4.37 times in FY 2020. The current ratio indicates that the Group has more than adequate liquidity to cover short-term obligations.

Dividend Payout**FY 2021**

The Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2020.

FY 2020

The Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2019.

Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Financial Performance

RM'000	Financial Year Ended December				
	2021	2020	2019	2018	2017
FINANCIAL RESULTS					
Revenue	286,893	194,148	191,292	130,221	206,492
Loss Before Tax	27,478	(8,750)	(7,331)	(1,562)	(34,785)
Net (Loss)/Profit	16,776	(8,057)	(8,967)	(4,393)	(30,043)
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	120,536	142,836	121,344	115,147	133,811
Total Assets	661,260	594,247	574,291	609,410	628,905
Total Liabilities	166,831	127,732	125,066	136,399	143,777
Total Borrowings	39,432	32,065	24,102	48,381	66,628
Share Capital (No. of shares)	1,012,413	1,012,413	847,113	847,113	677,694
Owners' Equity	454,834	445,514	428,236	451,161	458,157
Total Equity	494,429	467,763	449,225	473,011	485,128
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	1.19	(0.70)	(1.03)	0.25	(3.52)
Share Price at Year End (RM)	0.250	0.260	0.245	0.235	0.352
Price Earnings Ratio (times)	0.21	(0.37)	(0.24)	0.94	(0.10)
Return on Owners' Equity (%)	2.63%	-1.36%	-2.02%	0.47%	-5.20%
Return on Total Assets (%)	1.81%	-1.02%	-1.51%	0.35%	-3.79%
Dividend Payout to Earning Ratio (%)	31.26%	-106.08%	-88.06%	31.44%	-108.79%
Net Gearing Ratio (times)	0.08	0.07	0.06	0.11	0.15

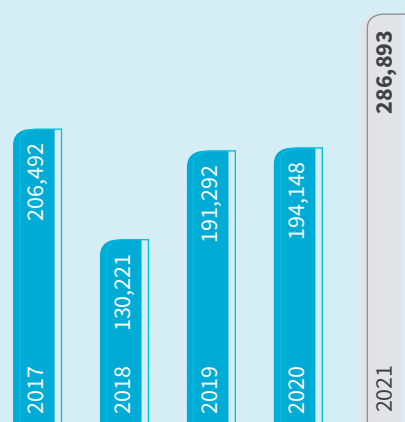
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Group Financial Highlights

Revenue

(RM'000)

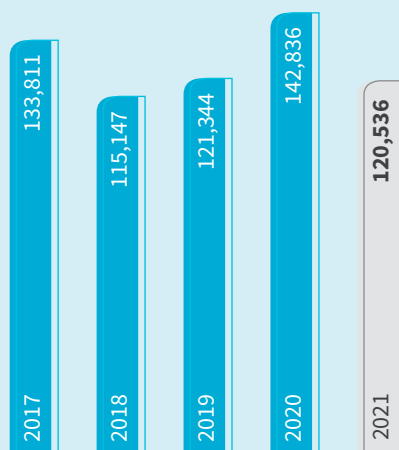
286,893



Total Cash & Cash Equivalents

(RM'000)

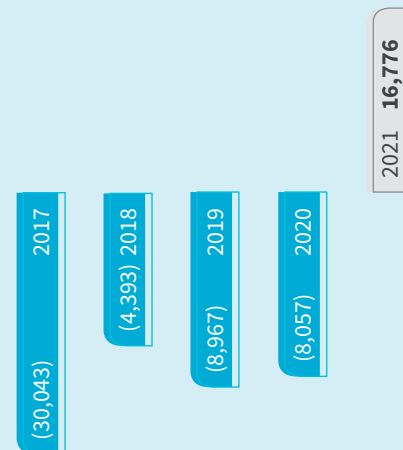
120,536



Net (Loss)/Profit

(RM'000)

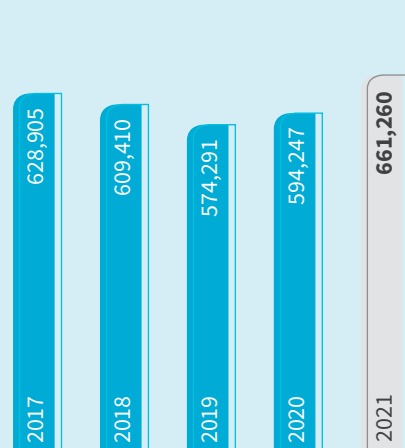
16,776



Total Assets

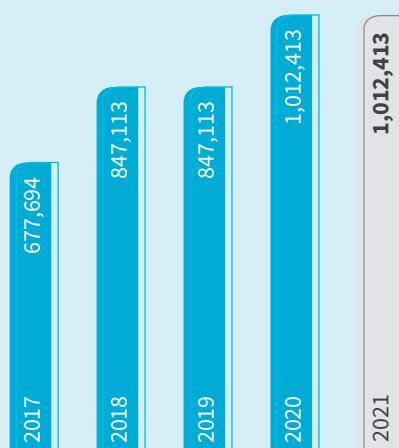
(RM'000)

661,260



Share Capital (No. of shares)

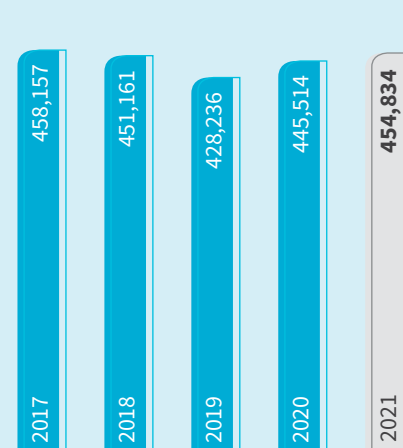
1,012,413



Owners' Equity

(RM'000)

454,834



Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Group Segmental Performance

RM'000	Financial Year Ended December				
	2021	2020	2019	2018	2017
GROUP REVENUE					
Engineering and Construction	136,298	153,593	163,455	103,125	83,860
Property Development	2,177	23,763	7,773	5,607	100,700
Trading & Services	15,574	16,792	19,181	20,008	20,361
Healthcare	132,844	-	-	-	-
Concessions	-	-	883	1,481	1,571
Revenue	286,893	194,148	191,292	130,221	206,492
GROUP PROFIT BEFORE TAX					
Engineering and Construction	10,056	(3,778)	1,648	141	(11,366)
Property Development	(2,438)	(4,861)	(3,598)	(8,963)	(9,009)
Trading & Services	963	(478)	(7,719)	1,480	(20,680)
Healthcare	18,680	-	-	-	-
Concessions	217	367	2,338	5,780	6,270
Profit Before Tax	27,478	(8,750)	(7,331)	(1,562)	(34,785)
GROUP NET PROFIT					
Engineering and Construction	7,620	(4,741)	(3)	(1,119)	(11,306)
Property Development	(2,606)	(4,486)	(3,857)	(8,970)	(5,746)
Trading & Services	426	(885)	(8,230)	523	(21,300)
Healthcare	13,244	-	-	-	-
Concessions	217	367	2,341	5,780	6,275
Discontinued Operations	(2,125)	1,688	782	(607)	2,034
Net Profit	16,776	(8,057)	(8,967)	(4,393)	(30,043)

Segmental Analysis

Engineering & Construction Division

During the financial year, the engineering and construction division revenue was 11% lower due to a halt in the construction activities during the MCO imposed by the Malaysian Government. The Division profit before tax was RM10.1 million as compared to loss before tax of RM3.78 million in the preceding year due to higher contributions from its on-going projects and share of profit from joint ventures in the current financial year.

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Healthcare Division

The new division revenue and profit before tax recorded in the current year were RM132.8 million and RM18.7 million respectively. As it is a new division during the current financial year there is no comparative figure available.

Property Development Division

The division recorded a loss before tax of RM2.4 million in the current year as compared to loss before tax of RM4.9 million in the preceding year due to sale completion of remaining inventory in FY 2021.

Trading and Services Division

Under the trading and services division, revenue recorded RM15.6 million as compared to RM16.8 million in the preceding year. The division recorded a profit before tax of RM963,000 as compared to a loss before tax of RM478,000 in the preceding year due to higher contributions from share of profit from joint ventures in the current financial year .

Financial Calendar

(for the Financial Year Ended 31 December 2021)



Dividend

First and Final Dividend via share distribution 1:45 for the financial year ended 31 December 2020

Entitlement date : **30 Jun 2021**

Payment date : **12 July 2021**

Announcement of Quarterly Results:

Q1

27 May 2021

Q2

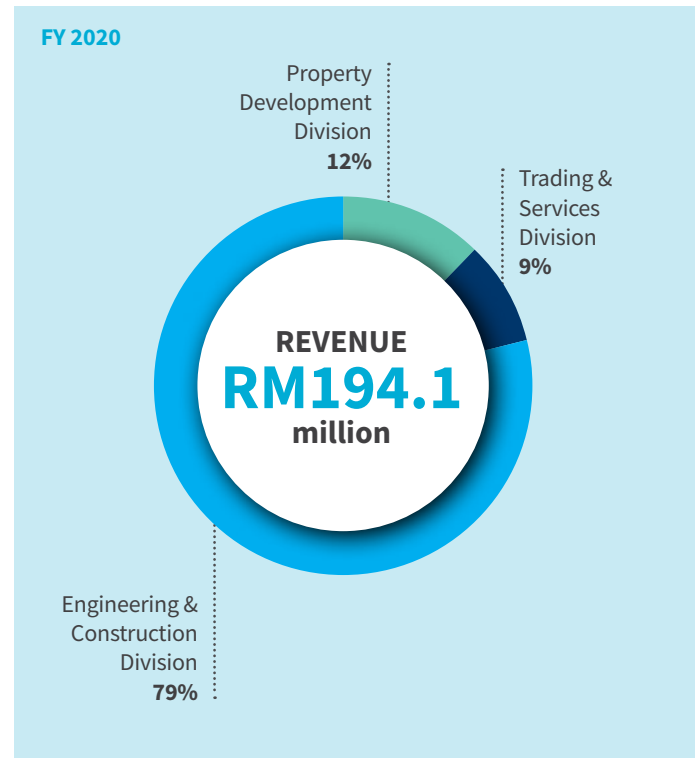
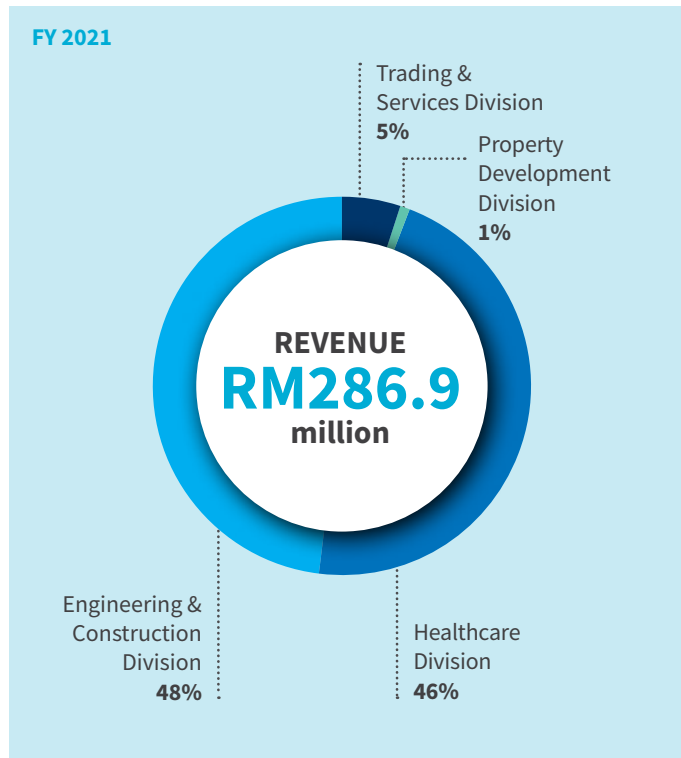
19 Aug 2021

Q3

16 Nov 2021

Q4

28 Feb 2022



Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Statement of Value Added and Distribution

The statement of value added shows the total wealth created by the Group and its distribution to stakeholders, with the balance retained in the Group for reinvestment and future growth.

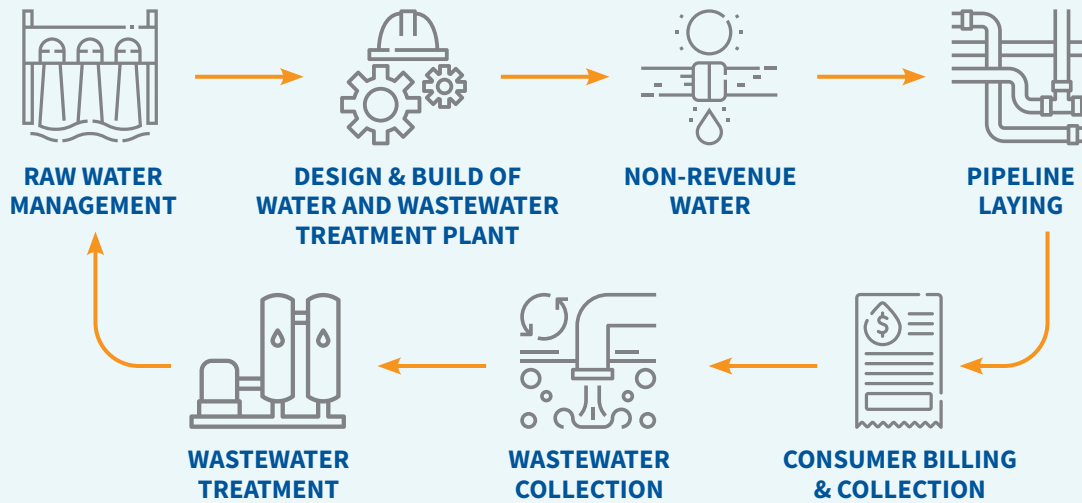
RM'000	2021	2020
VALUE ADDED:		
Revenue	286,893	194,148
Purchases of goods & services	(230,644)	(167,823)
Value added by the Group	56,249	26,325
Share of (loss)/profit of associated companies and joint ventures	12,311	(1,439)
Total value added for distribution	68,560	24,886
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	28,309	22,487
To Governments		
- Taxation	8,577	995
To Rakyat		
- Community Investment	235	143
To providers of capital		
- Dividends	3,742	6,436
- Finance cost	3,864	2,464
- Non-controlling interest	4,807	(1,990)
Retained for future reinvestment & growth		
- Depreciation and amortization	10,799	6,854
- Retained loss	8,227	(12,503)
Total Distributed	68,560	24,886
RECONCILIATION :		
Net Loss for the year attributable equity holders	11,969	(6,067)
Add: Depreciation and amortization	10,799	6,854
Finance cost	3,864	2,464
Staff costs	28,309	22,487
Community Investment	235	143
Taxation	8,577	995
Non-controlling interest	4,807	(1,990)
Total Value Added	68,560	24,886

Divisional Operations Review

ANNUAL REPORT 2021

ENGINEERING & CONSTRUCTION DIVISION Stakeholders Involved

Value Chain



Values Created by Engineering & Construction Division

Providing one-stop water solution for communities to access clean, safe and reliable water for healthy and sustainable living.

Key Highlights



Secured over
RM50 mil
worth of contracts in
FY 2021



Completion the design and construction of the
1,728 MLD
Ambathale Stormwater Pumping Station in Colombo Metropolitan area, Sri Lanka



Installation of
313 units
of ultrasonic wireless smart meters of various sizes for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (AiS)

Operation Review

The Engineering & Construction Division provides integrated, end-to-end water and wastewater solutions, encompassing the design, finance, construction, operation & maintenance of water and wastewater treatment plants, non-revenue water reduction, customer service, billings and collection in Malaysia and overseas. It is driven by the Group’s subsidiaries, namely Salcon Engineering Berhad (“SEB”) and Envitech Sdn Bhd (“Envitech”).

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]



Aerial view of Bukit Berapit Water Treatment Plant of KTU Water Supply Scheme

During the year under review, SEB successfully completed the design and construction of the 1,728 MLD Ambathale Stormwater Pumping Station in Colombo Metropolitan area, Sri Lanka. Funded by the World Bank, the system is designed to pump out water from Madiwela basin (inland) into Kelani River when high flood water levels occur simultaneously at Madiwela catchment area and Kelani River, reducing the risk of flood within the area, while minimising the environmental impact from the proposed improvements and maintaining a sustainable environment.

Besides this, SEB has also successfully completed the Bulk Meter Replacement project for Syarikat Air Negeri Sembilan (“SAINS”) under PFI in Negeri Sembilan and the installation of 313 units of ultrasonic wireless smart meters of various sizes under Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (“AIS”) which are presently under performance monitoring.

On-going projects under this division are presented as below:

1. Testing and commissioning (“T&C”) of solid steam for Langat Centralised Sewage Treatment Plant (“CSTP”) was completed in Apr 2021. The project is expected to be handed over to the authority upon completion of the operation and maintenance (“O&M”) period in Nov 2022.
2. Construction work for Kuala Terengganu Utara (“KTU”) Water Supply Scheme has come to near full completion and presently under testing. The project is expected to be fully commissioned and handed over by mid-2022.
3. Network Pumping Stations for Langat Centralised Sewage Treatment Plant and Sewage Network has achieved 99% of completion in overall.
4. Capacity expansion of Telibong II Water Treatment Plant from 80MLD to 160MLD

in Tamparuli, Sabah, has achieved 46.5% of physical completion in overall.

5. Langat 2 Package 15 (4) pipeworks which achieved 42.8% completion.
6. 3-month Extension of Time was approved by JANS and MOF for the O&M contract for the Customer Call Center, Monitoring & Maintaining District Meter Zones, Meter Reading and billing for Sandakan Water Department, Sabah. Upon receiving the approval, the contract will end in Oct 2024 instead of Jul 2024.

On the wastewater side, Envitech managed to secure more than RM50 million worth of new contracts locally, some of the major projects are:

1. Construction and ancillary sewerage reticulation works of External Common Gravity Sewer Mains at Jalan Segambut, Mukim Batu, Kuala Lumpur with contract value of RM19.7 million

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2. A RM20.85 million worth sewerage system contract was awarded to Envitech in Oct 2021 by Gamuda Land (Botanic) Sdn Bhd for the rehabilitation work of vacuum sewerage system at Bandar Botanik and Ambang Botanik in Klang. The project has commenced in October 2021 and expected to be completed in October 2022
3. 50,000 PE Sewage Treatment Plant at Mukim Kapar, Selangor for Bandar Setia Alam Sdn Bhd with contract value of RM7.9 million
4. RM1.96 million contract from Harbour Home Sdn. Bhd. for construction, testing & commissioning works of 18,400 PE Sewage Pumping Station (PS 1) On Lot PT 47766, Mukim Tanjung Duabelas, Daerah Kuala Langat, Selangor
5. RM1.8 million contract bagged from Harbour Home Sdn. Bhd. for construction and ancillary works of Sewerage Reticulation And Other Related Ancillaries For Banting Industrial Park (Phase 1) On Lot Pt

74463, Mukim Tanjung Duabelas, Daerah Kuala Langat, Selangor

Outlook

Under the 12 Malaysia Plan (“12MP”), the government has approved RM26 billion worth of water infrastructure project to improve water supply coverage and services as well as provide sustainable infrastructure. In addition, the Government has targeted to reduce non-revenue water (“NRW”) rate to 25% by 2050. Six less developed states, namely Kedah, Kelantan, Perlis, Sabah, Sarawak and Terengganu have been identified under the 12 MP to be given priority in development budget allocation. In Selangor, the state government via Pengurusan Air Selangor Sdn Bhd (Air Selangor) is targeting a reduction in non-revenue water (NRW) to 25 per cent by 2025. For 2022, a total of RM174 million has been allocated to that purpose, as part of the state’s pipe replacement programme, which aims to improve the quality of water supply services in the state. Given the

Group’s extensive experience, proven track record and capabilities, we are confident of capitalising on all these opportunities to address water needs in the country.

With the easing of border controls and travel restrictions, the Group also looks to re-engage with clients in its overseas markets such as Sri Lanka, Vietnam and Thailand to maintain connections and follow-up on tenders and projects in these countries.

Moving forward, the Group is optimistic of the water and wastewater market outlook in the coming year and will continue with its strategy to increase resilience and maintain sustainable growth through service quality improvement, cost optimisation and process efficiency enhancements. The outlook for the Division is supported by an outstanding order book of RM1.4 billion as at 31 December 2021, comprising water and wastewater projects both locally and overseas with RM187 million balance works to be carried out.



Front view of Ambathale Stormwater Pumping Station in Sri Lanka

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]

HEALTHCARE DIVISION Stakeholders Involved

Value Chain



Key Highlights



Achieved and contributed more than **RM10 mil** profit to the Group in FY 2021



Annual production capacity of over **420 million pcs** of gloves per year from 4 production lines



A member of **SEDEX** (Supplier Ethical Data Exchange)

Operation Review

The newly formed Healthcare Division is led by JR Engineering And Medical Technologies Sdn Bhd (“JREMT”) with business activities in manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves, covering various market segments such as dental, food, healthcare, industrial and laboratory. JREMT has a current annual production capacity of over 420 million gloves from 4 single former production lines.

In addition, JREMT also provides ad hoc turnkey advisory and consultancy services for rubber gloves players in various countries including, Malaysia, India, Uganda and Uzbekistan. The services available includes setup of plant, sourcing for machinery through to testing and commissioning of the production lines.

During the year under review, the Division produced total of 176,969,367 gloves in the wake of the unprecedented COVID-19 outbreak.

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Glove manufacturing division operated by JREMT contributed more than RM10 million profit guarantee to the Group

JREMT's products have obtained both FDA Certification and CE Marking Certification and have been sold to more than 163 customers from 16 countries. Reflecting its commitment to social compliance, the Division's audit process was conducted based on SEDEX Members Ethical Trade Audits (SMETA) during the year under review. The SMETA audits were conducted based on 4 key areas namely, health and safety standard, labour standard, the environment and business ethics. JREMT became a member of Supplier Ethical Data Exchange (SEDEX) in February 2022 upon fulfilling all audit requirements. With this, the Division is able to strengthen its ethical business practices and management across its operation.

Outlook

Prospects on glove manufacturing remain strong for the year ahead and beyond with the ongoing COVID-19 crisis and appearing of new COVID variants spurring the demand for gloves. The Malaysian Rubber Gloves Manufacturers Association (MARGMA) expects demand for gloves in 2022 and 2023 to be 10% to 15% higher than the pre-COVID 19 level.

The average selling prices of gloves are slowly reverting to pre-pandemic levels amid the successful roll-out of vaccines and competition from new glove players from China, Thailand and Vietnam, thus normalising profit margins. In view of this, JREMT has taken proactive measures by keeping abreast with the latest market conditions and developments, maintaining effective cost-control measures and ensuring operational efficiency in its

production processes through investment in automation to improve overall productivity. Besides this, JREMT also invests in R&D to develop new glove products, enhance quality and function with a view of higher margins to expand the division's income stream.

Despite the intensifying competition in the market, we are confident that we will be able to stay the course by leveraging on our strong business network and long-term strategic plan to market the product, and building up branding for the company through market and social engagement. The Group will continually monitor and assess the global demand trend for gloves and will formulate its business strategy accordingly to ensure sustainable growth of the Healthcare Division.

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]

TRANSPORTATION DIVISION Stakeholders Involved

Value Chain



Values Created by Transportation Division

- Ensuring a safe and trustworthy travel experience while upholding our commitment to environmental preservation.
- Safe and timely delivery of good and services, while minimising our carbon footprint.

Key Highlights



Operates a total of **142 vans, 45 coaches, 39 MPVs and 11 limo vehicle** for multinational clients



Operates **6 units** of stainless steel and mild steel bulk tankers



Installed Senstrac Focus Passenger Transport and Tracking System on **141 vehicles**

Operation Review

The Group’s Transportation Division is led by Eco-Coach & Tours (M) Sdn. Bhd (“ECT”), which provides transportation services as well as passenger transport & tracking and digital route planning system for employees of multinational companies in the northern region of Malaysia. The division also provides logistics services for palm oil and soy oil products, via its subsidiary, Green Fleet Sdn Bhd (“GF”).

ECT operates a total of 142 vans, 45 coaches, 39 MPVs and 11 limo vehicles for its multinational clients including Intel, Paramit & Analogue Device ADI whilst GF operates



Interior view of the 40-Seater SCANIA Bus under its fleet

ANNUAL REPORT 2021

6 units of stainless steel and mild steel bulk tankers to provide transportation services for clients such as Soon Soon Oilmills Sdn. Bhd. and PGEO Edible Oils Sdn Bhd (Lumut) in the palm oil and soy oil industry. Although transportation services declined during the first half of FY 2021, largely due to the high number of COVID-19 cases and multiple lockdowns across the country, the situation normalised by the second half of the year as economic activities resumed, driven by the high vaccination rates in the country.

To date, the Senstrac Focas Passenger Transport and Tracking System has been installed in 141 vehicles to enable real time tracking of employees, enhance safety and increase costs efficiency. The division looks to diversify its commercial relationships and prioritise on marketing and promotional activities of the Senstrac system to new potential clients in other industries.

Outlook

Moving forward, the division will look to increase the provision of transportation services to meet the rising demand, and maintaining and enhancing existing commercial relationship with its existing clients.

PROPERTY DEVELOPMENT DIVISION

Stakeholders Involved 

Value Chain



Values Created by Property Development Division

Ensuring high quality and sustainability homes and top class experience for our customers.

Operation Review

The Group’s Property Development Division is spearheaded by Salcon Development Sdn Bhd which specialises in niche property development tailored to address the needs of market/community.

The Group is currently evaluating various development proposals for its projects located in Kuala Lumpur and Johor Bahru. In Johor, the market for commercial and retail properties in JB is expected to rebound with the reopening of Malaysia – Singapore land

border in April 2022. Additionally, the Rapid Transit System (RTS) Link project, which is slated to be completed in 2027, is set to revive cross-border property interest in the southern state. The land in Belfield, located in close proximity to the KL 118 tower has high growth potential.

In both these two locations, the Group intends to capitalise on the positive sentiments surrounding the area and in weighing a suitable development concept which best fit the needs of the market.

Looking Forward

With the expected an overall improvement in the property market in 2022, supported by the prevailing low interest rates, exemption of Real Property Gains Tax (“RPGT”) and the initiatives provided under Budget 2022, the Group continues to look for opportunities and will cautiously evaluate proposals to move the division forward.

Divisional Operations Review

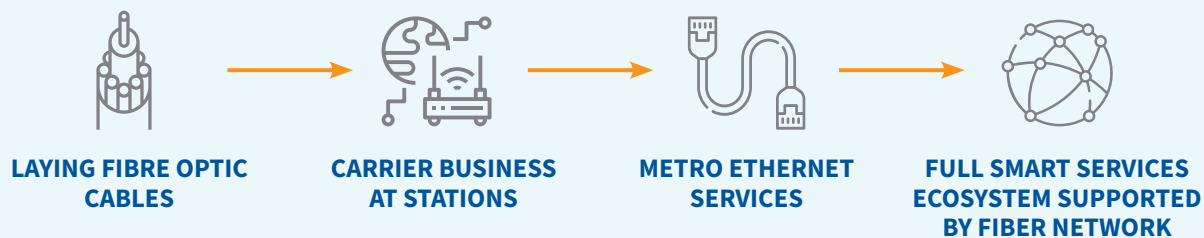
SALCON BERHAD [200201026133 (593796-T)]

TECHNOLOGY SERVICES DIVISION

Stakeholders Involved



Value Chain



Values Created by Technology Services Division

- Pioneering smart city solutions dedicated to providing long term value for the people, municipal authorities and delivery partners.
- Facilitate telecommunication network with high efficiency.

Key Highlights



Provide

Site Leasing Service

for Digital Nasional Berhad



Completion of

5G core

Network expansion



Delivered

18 cells sites

along the LRT corridor for major telcos in Malaysia

**Operation Review**

During the period under review, the Technology Services Division led by Volksbahn Technologies Sdn Bhd (“VBT”) successfully delivered 18 cells sites along the LRT corridor for Celcom Axiata Berhad, Digi Telecommunications Sdn Bhd and DNB Berhad, resulting in an increase of site rental income and bandwidth charges.

Besides this, VBT also signed a Master Agreement with Digital Nasional Berhad (“DNB”) for Site Leasing Service on 30th November 2021. DNB is a Malaysian special-purpose vehicle company owned by the Ministry of Finance Malaysia to drive the development of the 5G (fifth-generation)

infrastructure in Malaysia. By leveraging on VBT’s existing fiber network along the LRT corridor, DNB will be able to expedite the deployment of 5G mobile network in the Klang Valley.

In order to support the deployment of 5G, the division has also expanded its fiber/network coverage to both DNB POIs (5G core Network) at Cyberjaya TM KVDC and TM Brickfields DC. The network expansion was completed in December 2021.

As part of its strategy to generate additional income stream, VBT also provided backhaul services to Prasarana DC/DR and OCBC DC/DR as well as metro ethernet offerings by entering

into strategic partnerships with enterprises along the LRT corridor.

Looking Forward

VBT is well poised to capitalise on the various Government initiatives to boost the digital economy of the country. With the roll out of the Jalanan Digital Negara (Jendela) initiative as well as the Malaysia Digital Economy Blueprint to expedite 5G deployment in Malaysia, via DNB, the Malaysian telecommunications industry will continue to grow as connectivity gradually becomes everyone’s basic necessity. VBT will further strengthen and leverage on its fiber network in Klang valley to support the rollout of these initiatives and tap on new opportunities to unlock value.

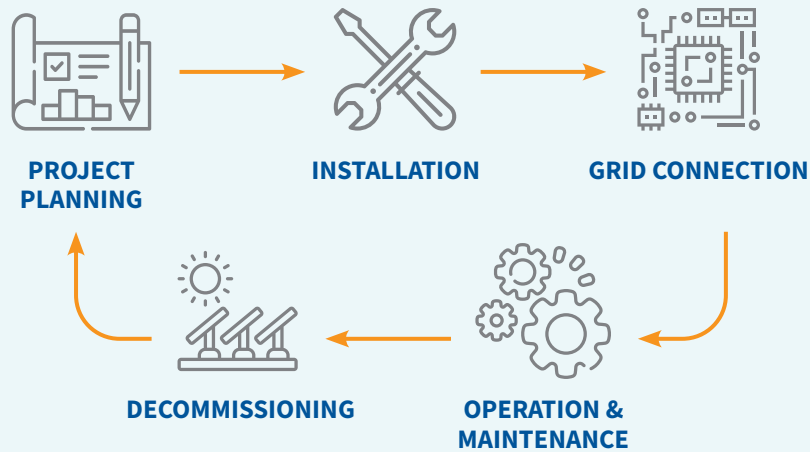
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RENEWABLE ENERGY DIVISION

Stakeholders Involved



Value Chain



Values Created by Renewable Energy Division

- Providing highest quality solar energy solutions.
- Generating superior financial return via energy saving.

Key Highlights



Completion of rooftop

Solar PV system
installation with capacity of
1.48 MWp



Offset average of

1,210 tonnes
of CO₂ emission through
reduction of electricity cost



Operation Review

The Group renewable energy division, led by Inergist Sdn Bhd successfully completed the installation of rooftop solar photovoltaic (“Solar PV”) systems for HeveaPac Sdn Bhd (“HeveaPac”), with a capacity of 1.48 MWp. The system commenced operations in May 2021 and is expected to generate

1.8million kWh of solar energy per year. Besides reducing electricity costs for our client in their daily operations, the division also offsets CO₂ emissions by an average of 1,210 tonnes per annum or 30,248 tonnes throughout the 25 year tenure of the Solar Power Purchase Agreement.

Looking Forward

The Group looks to increase its recurring income stream based on a similar model with other joint venture partners and companies which are looking to reduce emissions and generate energy in a sustainable manner. Besides this, the Group will also keep a lookout to tender for Large Scale Solar projects in Malaysia and the region.

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

REPORT OVERVIEW

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 15th annual reporting of our Environmental, Social and Governance ("ESG") performances, prepared in accordance to global reporting standards as well as local guidelines and frameworks.

Through various engagement sessions with heads of subsidiaries across the Group, we have identified the external environment, its impacts and way forward for each subsidiary, risks, opportunities & mitigation measures undertaken as well as set targets and performance objectives to measure

the performance and progress of the Group's key material issues. We continue to strengthen our disclosures as recommended by the Taskforce for Climate-related Financial Disclosure ("TCFD") and commit to the Sustainable Development Goals ("SDGs") which are relevant to our business and on which we make a significant impact.

In this report, readers will be able to gain a clear understanding of the Group's sustainability commitments, performance and initiatives on material issues management, and value creation strategies for our stakeholders in the short, medium, and long term.

REPORTING PERIOD

1 January 2021 – 31 December 2021

REPORTING SCOPE

This Sustainability Report covers the non-financial performance of the Group's operating units during the period 1 January 2021 to 31 December 2021. This year, our reporting scope has expanded to include our newly acquired subsidiary under the Healthcare Division, JR Medical Engineering Sdn Bhd as well as Inergist Sdn Bhd under the Renewable Energy Division.

1. Salcon Engineering Berhad (Water Engineering)
2. Envitech Sdn Bhd (Wastewater Engineering)
3. Eco-Coach & Tours (M) Sdn Bhd (Transportation)
4. Volksbahn Technologies Sdn Bhd (Technology Services)
5. Salcon Development (Property Development)
6. JR Medical Engineering Sdn Bhd (Glove Manufacturing)
7. Inergist Sdn Bhd (Renewable Energy)

REPORTING FRAMEWORK

The disclosure of our sustainability performance is guided by the following Malaysian and global reporting frameworks and benchmarks:

PRINCIPAL GUIDELINES

- ▶ Bursa Malaysia Sustainability Reporting Guidelines 2nd Edition
- ▶ <IR> Framework by Value Reporting Foundation ("VRF") (formerly known as International Integrated Reporting Council ("IIRC"))
- ▶ Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations

SUPPLEMENTARY GUIDELINES

- ▶ FTSE4Good Bursa Malaysia Index Rating Guide
- ▶ Global Reporting Initiative ("GRI") Standards
- ▶ AA1000 Stakeholder Engagement Standards 2015 ("SES")

COMMITMENT

- ▶ Sustainability Development Goals ("SDGs")
- ▶ United Nations Global Compact ("UNGC") Principles

ACCESSIBILITY & FEEDBACK



This report, which is available in HTML & PDF format is available at our corporate website at <https://www.salcon.com.my/sustainability/sustainability-statement>

We welcome any feedback or suggestion about our sustainability performance.

Please address any comments you may have to the Sustainability Committee at corporate@salcon.com.my.

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Business Growth



Leadership & Governance



Human Capital



Environment



Social Capital

SUSTAINABILITY AT SALCON

In line with the Group’s Vision and Mission, Salcon aims to transform lives for the better through shared, inclusive and sustainable value for all our stakeholders. We are committed to generate profitable & sustainable returns for our shareholders whilst integrating sustainable best practices throughout our business operations, promote sound environmental and social practices, encourage transparency and accountability and contribute to positive development impacts.

Salcon’s Sustainability Framework outlines our approach and is built upon five pillars: Business Growth, Leadership & Governance, Human Capital Management, Environment Protection and Community outreach.

We embrace both the Sustainable Development Goals (“SDGs”) agenda and the ten Principles of the UN Global Compact (“UNGC”) and recognise that contributing to these global principles are a way to create shared value and as a driver for growth, innovation and investment decisions.

SUSTAINABILITY FRAMEWORK



Business Growth



Leadership & Governance



Human Capital



Environment



Social Capital

Our Commitment

Transforming lives for the better through sustainable business portfolios

Values We Created

Innovation products & services through operational excellence

- MI1
- MI2
- MI3
- MI7

Becoming a trusted & reliable working partner

- MI4
- MI5
- MI8

Building a thriving workplace for employees

- MI6
- MI9
- MI10
- MI14

Protecting the environment

- MI11
- MI12
- MI13
- MI15
- MI17

Engage and Uplift the Community

- MI16

Impact on SDGs



Alignment with UNGC

Principle 1

Principle 10

Principle 2,4,5,6

Principle 7,8

Principle 1

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

AWARDS & RECOGNITIONS



Asia Sustainability Reporting Award –
Asia's Best Sustainability Report Award (SME) 2020 Bronze



FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index for the 7th consecutive year

SUSTAINABILITY GOVERNANCE STRUCTURE

Decision Making and Reporting

Sustainability strategies and performance are governed by the Group's Board of Directors ("BOD") and supported by the Sustainability Committee ("SC") to ensure we achieve profitability and sustainable returns whilst ensuring the Group's ESG targets are reached in the long term.

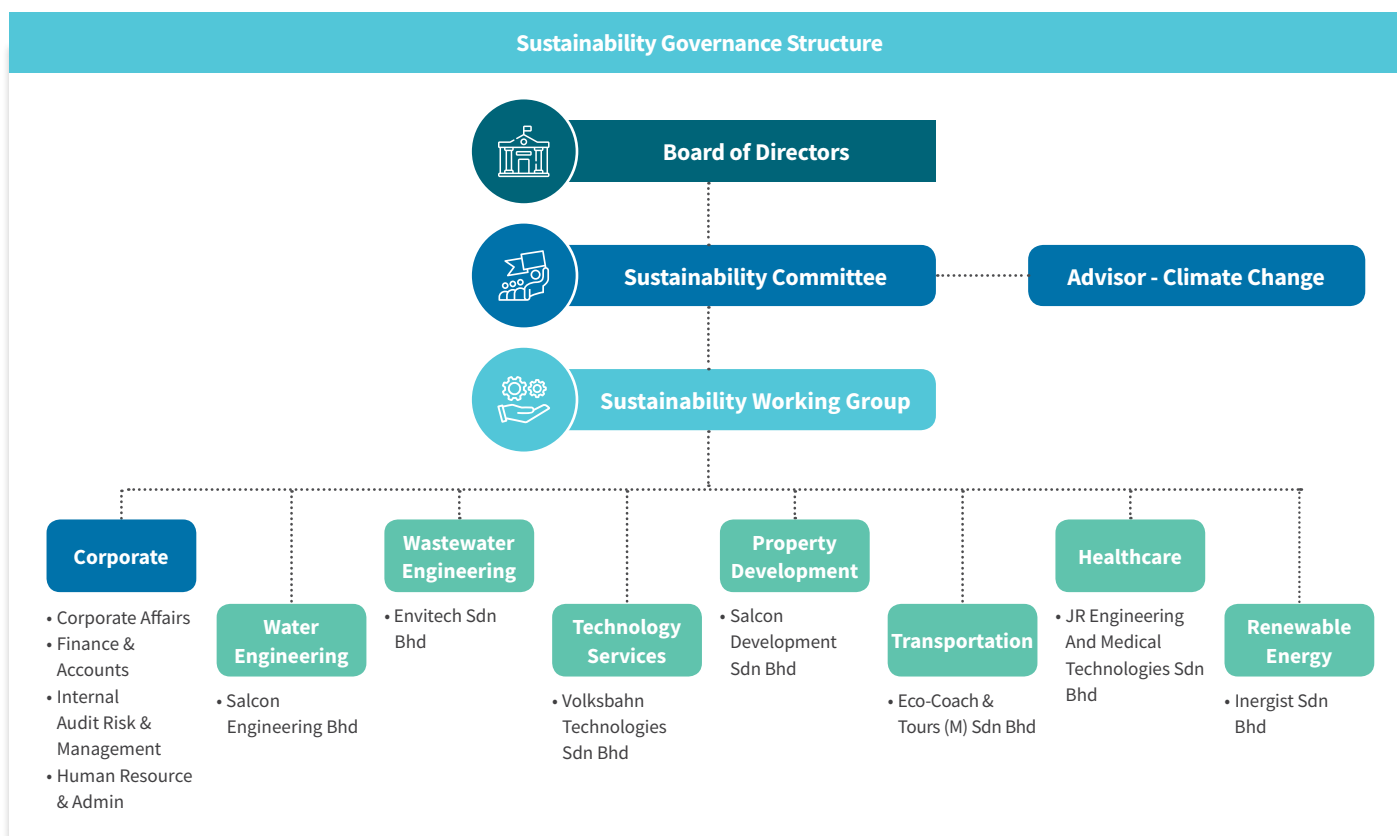
The SC meets annually and is made up of two (2) board members with a Non-Executive Director as the Chairman as well as the Chief Operating Officer, the Chief Financial Officer and General Manager of Corporate Affairs.

The Sustainability Working Group ("SWG") is responsible for the implementation of sustainability risks management & practices, and upholding the Group's economic, environment, social and technology capital in the short, medium and long term.



In FY 2021, the Group has further streamlined the governance structure by including the healthcare and renewable energy division into the SWG. This allows better engagement with leaderships across the Group and regions, whilst enhancing sustainability governance and achieving integrated thinking to further progress the Group's sustainability management.

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Enabling Policies

In support of good governance practices, we are committed to ensuring that adequate policies are in place to provide guidance and process control as a transparent and responsible entity. These policies are benchmarked against industry best practices and govern the business and operations of the Group. Approved policies and procedures are disseminated to affected stakeholders and reviews and updates are performed regularly on approved policies, procedures and guidelines.

Key Policies	Purpose of Policy	Accessibility
Code of Ethics and Conduct (COEC)	Sets out guidelines on the Group’s business ethics and the governance of the employees in the workplace on a day-to-day basis in a way that helps maintain an outstanding reputation.	<ul style="list-style-type: none"> • Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet
Statement of Policies and Business Ethics (SPBE)	Defines the basic requirements placed on Salcon suppliers and contractors concerning their responsibilities towards their stakeholders and the environment.	<ul style="list-style-type: none"> • Attach together with the contract with suppliers and sub-contractors
Anti-Bribery & Anti-Corruption Policy (ABAC)	Sets out the Group’s position on bribery and provides principles, guidelines and requirements on how to deal with corrupt and bribery practices that may arise in the course of daily business and operation activities.	<ul style="list-style-type: none"> • Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet

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Key Policies	Purpose of Policy	Accessibility
Whistle-blowing Policy (WBP)	Provides Directors, officers, employees and stakeholders of the Group with an avenue to report suspected improprieties such as illegal or unlawful conduct, contravention of the Group's policies and procedures, acts endangering the health or safety of any individual, public or employee, and any act of concealment or improprieties.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet
Integrated Risk Management Policy (IRMP)	Identify, analyse, evaluate, treat, monitor and report upon all significant risks faced by the Group inclusive of all stakeholders.	<ul style="list-style-type: none"> • Salcon intranet *  <i>More information on IRMP is detailed on pages 95 to 98 under Statement of Risk Management & Internal Control</i>
Equal Opportunity Employment Policy (EOEP)	Providing equal opportunities in employment for all employees in line with the International Labor Organisation Core Conventions.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/human-capital-development
Board Diversity Policy (BDP)	Sets out approach to achieve diversity on the composition of the Board of Directors of Salcon Berhad.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/About-Us/corporate-governance
Human Resource Policies and Procedures Manual (HRPP)	Demonstrates the management's commitment towards employee welfare and care, and yet ensure cost effectiveness and competitiveness with market practices.	<ul style="list-style-type: none"> • Salcon intranet
Quality, Safety, Health and Environment (QHSE) Policy	Promote excellence in Quality, Occupational Safety & Health and Environment standards by eliminating hazards, reducing risks and protecting the environment and its workers.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment
Salcon Green Policy	Establish our commitments in different areas in reducing carbon footprint and pollutions, which include: <ol style="list-style-type: none"> 1. Energy 2. Water Consumption 3. Prevention of pollution 4. Procurement 5. Biodiversity 6. Education 	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/Climate-Change
Water Management Plan (WMP)	Focusing and emphasizing on our commitment to reduce water consumption via water conservation.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/Climate-Change

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BUSINESS GROWTH

Innovative Products & Services Through Operational Excellence

Total Value Added for Distribution

RM68.8 million

in FY 2021

Achieved a total revenue of

RM286.9 million

in FY 2021, compared to RM194.1 million in FY 2020:

↑ 48%

Net profit

RM16.8 million

compared to FY 2020:

↑ 310%



MI1

Business Model & Financial Management

The Group is committed to deliver a sustainable and profitable financial performance to ensure attractive returns on investment to shareholders in the form of dividend payments and share capital appreciation. This is achieved through driving improvement in the efficiency and growth in the existing business units and markets. Details of business growth strategy and priorities of each business unit are elaborated in the Divisional Operations Review on pages 35 to 43.

In addition, a comprehensive narrative of our financial and operational performance is provided in the Management Discussion and Analysis (“MD&A”) section of this report, on pages 28 to 34.

Specific details on direct economic value created such as revenue, profit performance, market growth, shareholder dividend payments and other indicators are provided in the financial and value creation sections of this Annual Report.

MI2

Project Management & Delivery

As a company with diversified businesses, our reputation is built on an impeccable track record of successful project delivery and management to meet our clients’ requirement in the different business sectors we are in. A key indicator of successful project delivery is having a robust quality management system in place to track and monitor its implementation as well as achieving high customer satisfaction levels.

Client’s Satisfaction

Customer satisfaction is paramount to the continuity of our business. A material topic to all our divisions, customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success.

We strive to fulfil our clients needs and exceed their expectations by conducting Client/ Customer Satisfaction Survey to gauge their overall satisfaction with our products or services. Each Division adopts different targets and measures of client/customer satisfaction due to the diversity of its business.

Business Divisions	Indicators of Project Management & Delivery	Frequency of conducting the survey
Water Engineering	Client’s Satisfaction Level achieved average 62.8% (target: 75%)	Twice a year
Wastewater Engineering	Client’s Satisfaction Level achieved average 79.8% (target: 75%)	Twice a year
Glove Manufacturing	Customer’s Satisfaction Level achieved average 100% (target: 90%)	Yearly
Technology Services	Achieved 100% of projects to be ready-for-service and within budget on all work order	Yearly

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For the NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 5 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 5 minutes, subject to the genre of call.

We also ensure our clients/customers' rights to privacy are protected by adhering to the Personal Data Protection Act 2010 (PDPA). We do not disclose or use the clients' information for any other purposes without clients' consent. Throughout our years of operation, we have not received any complaints concerning breaches of clients/customer's privacy.





MI3

Supply Chain Management

Our commitment to foster a culture of integrity extends throughout our supply chain.

The Company's Statement of Policies and Business Ethics ("SPBE") outlines the company's basic requirements placed on our suppliers, sub-contractors, service providers and other supply chain partners and is a prerequisite in every of the company's service/supply contract. Through the SPBE, suppliers/sub-contractors are well communicated with the Group's ISO policies on Occupational Health and Safety Management Systems (**ISO 45001:2018**), Quality Management System (**ISO 9001: 2015**) and Environmental Management System (**ISO 14001:2015**). The SPBE was revised in February 2020 and workshops were conducted at the project sites in order to raise awareness on Salcon's stand on good ethics, ensuring a healthy and safe workplace, zero tolerance on violating human and social rights, good environmental practices and ensuring strict compliance to local laws and regulations.

Existing suppliers and sub-contractors are also evaluated on a yearly basis to ensure an effective and sustainable supply chain. Suppliers and sub-contractors who are unable to meet our criteria will be removed from our suppliers and sub-contractors list to ensure quality deliverables.

Business Divisions	Suppliers/Sub-contractors' Performance	Key Areas of Evaluation	Frequency of conducting the evaluation
Water Engineering 	Achieved 89.42% of suppliers ranked at excellent performance level (Target: 90%)	<ul style="list-style-type: none"> Quality Assurance System On time delivery Workmanship Pricing 	Yearly
	Achieved 65.1% of sub-contractors performance level (Target: 90%)		
Wastewater Engineering 	Achieved 90% of suppliers/sub-contractor performance level (Target: 100%)	<ul style="list-style-type: none"> Quality Assurance System On time delivery Workmanship Pricing 	Yearly
	Achieved 90% of sub-contractors performance level (Target: 100%)		
Glove Manufacturing 	Achieved 98.5% of Vendor Performance Level (Target: 90%)	<ul style="list-style-type: none"> Quality Assurance System Cleanliness Storage On time delivery No. of materials received 	Monthly
Technology Services 	Achieved 100% of supplier/sub-contractor performance level (Target: 100%)	<ul style="list-style-type: none"> On time delivery Pricing After sale support Performance 	Yearly






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MI7

Technology & Innovation

Technological advancement and innovation play an integral role in supporting the Group’s strategies to enhance our product solutions and capabilities as well as ensuring business sustainability.

The initiatives on technology & innovation are listed as below:

Business Divisions	Initiatives on Technology & Innovation
Water Engineering 	<ul style="list-style-type: none"> • Identify new technology partners / product • Work with institutions of higher learning to identify and develop relevant technologies
Wastewater Engineering 	<ul style="list-style-type: none"> • Engaging with IWK on water reclamation projects under the Green Technology Master Plan
Healthcare 	<ul style="list-style-type: none"> • Investment in Research & Development in innovative product solutions
Technology Services 	<p>Enhancement in Technology & Innovation methodology to enhance operations:-</p> <ul style="list-style-type: none"> • Geotagging of fixed & movable assets • Improved security & access to critical equipments and network • Participation in seminars that are involved in future telecommunication road map
Transportation Services 	<ul style="list-style-type: none"> • Develop IT tracking for On-demand Shuttle services toward public • Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel to extend engine life and improve fuel efficiency



Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]



LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner

Zero Case

reported through
whistleblowing channel

Integrated Risk Management
Policy & Procedures guided by

ISO 31000

Zero employee disciplined or dismissed

due to non-compliance with
anti-corruption guidelines



We are committed to upholding the highest principles of transparency and accountability in all aspects of our business practices in order to be recognised as a trusted and reliable working partner by our key stakeholders such as customers, business partners and employees.

MI4 Business Ethics

Good corporate governance underpins a well-run business. This is reflected in the practices and procedures across our business operations and activities as well as dealings with stakeholders.

We abide by Malaysian Code on Corporate Governance (“MCCG”) and all the relevant laws, regulations and industry best practices in the jurisdictions we operate. Details on our corporate governance practises are elaborated in the Corporate Governance Overview Statement on pages 88 to 92.

Our commitment in upholding ethical business practices is elaborated in the Code of Ethics & Conduct (“COEC”), Whistle-blowing Policy (“WBP”) and Anti-Bribery and Anti-Corruption Policy (“ABAC”) duly approved by the Board for all employees and its supply chain. The accessibility of the policies and statement are detailed on page 47.

In FY 2021, we achieved:

- Zero reported incidents of corruption
- Zero fines/penalties in relation with corruption/bribery
- Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines

MI5 Systematic Risk Management

Since FY 2020, the unprecedented COVID-19 pandemic has escalated our operational and business risks, calling for mitigation measures to cushion its impact. The pandemic highlighted the importance of enterprise-wide risk management, as well as the significance of sustainability in long-term value and business resiliency.

At Salcon, we navigated the year with our robust and well-established risk management framework which is overseen by the Risk Management Committee (“RMC”) and guided by Salcon Integrated Risk Management Policy in compliance with ISO 31000. For more details on the composition of the RMC and our detailed risk management practices, please refer to the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control on pages 88 to 98.

The significant business risks to the Group are identified and mapped to the Group’s material issues on pages 25 to 26.

MI8 Critical Incident Risk Management

Critical Incident Risk Management serves as part of the key risk management strategies to prevent or mitigate the occurrence of critical risks to our business activities.

The Group’s approach to prevent critical incidents is based on its Crisis Management Plan (“CMP”), which is driven by key divisions and subsidiaries and includes standard procedures to aid effective response and communication with affected stakeholders in a timely and consistent manner to ensure the safety of our people and minimal damage and disruption to the business activities.

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The roles of each response team to different levels of crisis are summarised in the table below:

Type of Management	Response Team	Roles
Crisis Management	Crisis Management Team (“CMT”)	<ul style="list-style-type: none"> Manage and make decisions on human impacts (both employees and the community), company reputation, share value and corporate assets.
Emergency Coordination	Emergency Management Team (“EMT”)	<ul style="list-style-type: none"> To gather, assess and disseminate information and to propose decisions for solution to affect recovery. To advise and coordinate all response activities beyond the scope of the on-scene response, and manage internal and external stakeholder issues. To ensure that targeted audiences receive crisis-related information through the most efficient and expedient channels.
Accident/Incident Management	Emergency Response Team (“ERT”)	<ul style="list-style-type: none"> Responsible for executing the on-scene response. This team is typically led by an Incident Commander. The individuals of this team are highly skilled and trained in specific response measures. These specialised members include Fire Marshall, First Aider and Safety Officer.

The CMP undergoes constant reassessment and testing process. These continuous updates and improvements are significant to ensure that it remains relevant and allows the Group to effectively and efficiently face the challenges posed by any incidents. In FY 2021, the CMP team further refined and streamlined the roles and responsibilities of each response team as well as the procedures for the newly identified categories such as infectious disease, environmental crisis, workplace violence, building or structure collapse and bomb treat and terrorism in a systematic manner.



Anti-Bribery & Anti-Corruption training was organised to improve employees knowledge on conducting business with the highest standards of ethics, honesty and integrity

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]



HUMAN CAPITAL

Building a Thriving Workplace for Employees

Total no. of employees

383

30.4%

Female in managerial level & above

Launching of

SWIN

(Salcon Women Inspiring Network)

in FY 2021



Our people are the greatest asset of the Group and an important part of the enablers to sustain our business. We are committed to continuously engage our people in a respectful and fair manner, striving to create a thriving working environment for them.

MI6 Talent Attraction, Growth & Retention

The Group invests in human capital development with a strategic talent management and succession plan to nurture a competent and efficient workforce to drive the Group to achieve its goals. The Group adopts 2 approaches i.e. Talent Attraction & Retention and Training & Development in our human capital management to ensure the continued growth and development of our most talented people.

Talent Attraction & Retention

Winning and keeping talent is a key driver for growth and success. Salcon continues to provide competitive benefits and welfare to its employees by benchmarking ourselves with industry peers to ensure that we remain competitive and are able to retain our talents.

As part of the company’s efforts to enhance employee experience, Employee Satisfaction Surveys (“ESS”) are conducted biennially in order to understand what our employees are feeling, thinking and experiencing.

During FY 2021, an ESS was conducted to gauge and measure our employees’ insights in the areas of *Employee Well-being, Equal Opportunities & Diversity, Work-life Balance, Talent Attraction & Retention and Training & Development*. The survey was sent to 125 employees in Malaysia and overseas with a response rate of 61% and 13% respectively.

Salcon leverages on the survey outcome to identify the areas for improvement. In response to the findings, the company undertook the following actions/initiatives to strengthen our engagement with employees:

No	Issues	Actions Taken
1	Employee Well-being	<ul style="list-style-type: none"> IT department gathered feedback from the employees with regards to improvements required in technology, equipment or software, etc, automation to improve efficiency.
2	Equal Opportunities and Diversity	<ul style="list-style-type: none"> Conducted trainings for employees on cross generation, workplace harassment & bullying and leadership workshop & program.
3	Work-Life Balance	<ul style="list-style-type: none"> Manpower restructuring exercise took place in early 2021 and review by head of departments on staff workload. Implementation of flexible or staggered work hours during the pandemic to enhance safe working environment.

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No	Issues	Actions Taken
4	Talent Attraction & Retention	<ul style="list-style-type: none"> Revision of Salcon’s Employee Handbook (“HRPPP”). Improved staff benefits such as replacement leave claim, executive medical examination, subsistence & site allowance, site vehicles, overseas allowance, handphone subsidy, training bond, education assistance scheme. Alignment of salaries and positions in year-end review exercise completed in 2020. Succession Planning for key personnel and Heads of Department and Division is in place for review by top management every year. HODs are encouraged to adopt two-way communication during performance appraisal with staff. Implemented new KPI based performance management system for performance-based reward.
5	Training & Development	<ul style="list-style-type: none"> Areas of Development in Performance Evaluation Form was included to enable HODs to identify skills gap and training for staff career growth. Yearly exercise on Training Needs Analysis is in place to identify staff training needs.

In Salcon, the employees’ work performance is evaluated yearly and rewarded under its performance management system (“PMS”) based on the Key Performance Indicators (KPIs) and core competencies. The PMS enable Salcon to build a performance driven culture in the organisation.

Training & Development

In line with our focus area of creating a thriving workplace for employees, we ensure that our talent attraction and retention scheme is able to equip and develop our workforce with the necessary skills and competencies to achieve our business objectives.

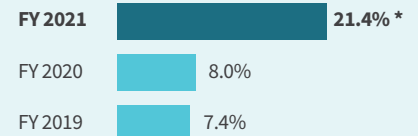
In FY 2021, we continued to provide employees with learning and development opportunities through online learning platform throughout the varying phases of the Movement Control Order (“MCO”). In FY 2021, a total of 50 trainings were conducted covering training in Soft Skills, Leadership & Management, Technical Training and Safety, Health & Environment learning.

Employees undergo relevant trainings based on the findings or gaps derived from a training needs analysis which is conducted on a yearly basis.



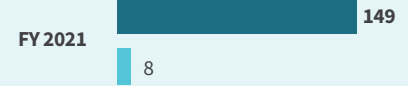
Agile Training for management team

Full Time Employee Turnover Rate



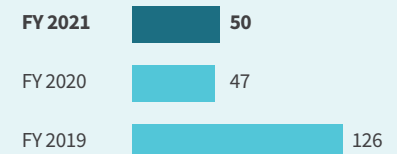
**Increase in turnover rate due to high staff turnover at JREMT manufacturing facility as local employees are not able to adapt to 3D (dirty, difficult and dangerous) jobs.*

New Recruits



■ Permanent employee
■ Non-permanent employee

Total training programme for employees



Total number of training hours: 686 hrs

Average training day per employee: 0.22 day

Average training hour per employee: 1.79 hrs

Total training investment: RM10,218.63

Effectiveness of training: 99.2%

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

MI9 Employee Health & Safety

The health and safety of our employees are of paramount importance to the Group. We are committed to implement good health & safety practices and measures to prevent accidental injuries and occupational-related illnesses from occurring to our employees, clients and the community.

Our safety and health practices and initiatives are spearheaded and implemented by the Quality, Safety, Health & Environment (“QSHE”) Department whilst a Safety, Health and Environment (“SHE”) Committee which is chaired and led by the Chief Operating Officer (“COO”) with representatives from management and employees is responsible for:

- Assisting in the development of safety and health rules and safe systems of work
- Reviewing safety and health policies and making recommendations
- Inspecting the workplace and recommending preventive and corrective measures

The SHE Committee conducts quarterly meetings to report the findings on the internal audit and updates on the progress of safety, health & environment plans and initiatives.

We are pleased to report that all project sites which are monitored by the QSHE department are in compliance with the ISO 45001: 2018 standards and audited by Bureau Veritas, demonstrating our commitment to our employees’ health and well-being and continuous safety improvement.

Responding to COVID-19 Pandemic

In FY 2021, COVID-19 pandemic still remains a risk to people at work despite achieving more than 95% of COVID-19 vaccination rate in our company. In response to this, we have taken decisive measures and proactive steps to ensure the safety of our employees and other interested parties involved in our operations

during the various MCO phases imposed by the Government. All pandemic containment requirements were implemented in accordance with Government SOPs and guidelines spearheaded by the Group’s Crisis Management Response and Recovery Team.

Location

Headquarters & Admin Offices of subsidiaries

Measures

- Daily COVID-19 SOPs, close contact and infection guidelines was in place and communicated to all employees in Salcon’s operation office
- Distribution of self-testing kit to all employees and the employees are required to submit the test result once a month for office staff and fortnightly for site workers and frequent outstation staff
- 1 meter apart during meeting or work and wearing of mask in office at all times
- Compulsory self-test for COVID-19 for inter-state travel before returning to office
- Minimised face-to-face meetings and leveraged online tools for communication and meetings
- Practicing staggered working hours, working on rotation basis and working from home
- Frequent sanitisation was conducted at office

Project Sites

- The project sites are clearly briefed to follow the precautionary SOPs strictly such as temperature screening daily and compulsory mask wearing in office
- Frequent sanitisation was conducted at office and the project sites

Manufacturing Plant

- Compulsory COVID-test every 7 days for In-house contractors, walk-in contractor, lorry/van drivers
- Communication on COVID-19 to create awareness via banners, posters and talks
- COVID-19 Task Force team conduct audit at all areas in random to ensure employees are complying the SOPs
- Sanitising 3 times daily on all touch surface and common areas
- Installing sanitising fog machine at meeting rooms, office areas and toilets
- Staff accommodation improvement such as cleanliness inspection, daily health checking, daily hostel sanitisation etc



Distribution of COVID-19 care pack consisting of supplements, self test kit, mask and sanitiser to our employees

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We monitor the safety and health progress, targets and its implementation periodically through the following initiatives:

No.	Initiatives	Frequency
1	Project sites inspection and audits	Quarterly
2	S.H.E. Committee meeting to discuss workplace safety & health issues	
3	Audit at HQ & project sites	Yearly
4	Reminder emails on current workplace safety and health issues	As needed
	Safety and health events held during the Annual Safety & Health Campaign Month to raise awareness	

No.	Initiatives	Project site/ office
1	Immediate execution of COVID-19 prevention measures including: Sanitisation, temperature check for all employees and visitors, compulsory mask wearing, staggered working hours	HQ and all project sites
2	Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
3	Basic occupational first aid, CPR & AED training	Envitech
4	Safety & Health Campaign	HQ
5	SHE induction training for new workers	Applicable water and wastewater project sites
6	Toolbox briefing	Glove manufacturing plant
7	Machinery inspection	
8	S.H.E. audit & inspection	
9	Health check	HQ
10	Blood donation	HQ
11	ERP Drill	HQ

Working towards zero LTI

During FY 2021, SEB, Envitech and JREMT achieved their respective target manhours without lost time injury (“LTI”) as tabled below. This achievement demonstrates our commitment towards ensuring a healthy and safe workplace to our employees and contractors.

Achieved manhours without LTI (hrs)	
SEB	Target Manhours: 2.5 million 2,918,886 1,932,710 1,312,820
Envitech	Target Manhours: 3.0 million 3,102,808 2,892,480 2,672,768
JREMT	Target Manhours: 1.5 million 1,119,065.5 n/a n/a
	2021 2020 2019

Safety & Health Training

Regular health & safety trainings were provided to site workers and employees especially those working at high-risk areas to minimise the risks of dangerous mistakes and incidents. Briefings on the latest health and safety policies and issues are held to ensure full awareness especially on precautions and SOPs to be adhered to during COVID-19 pandemic period.



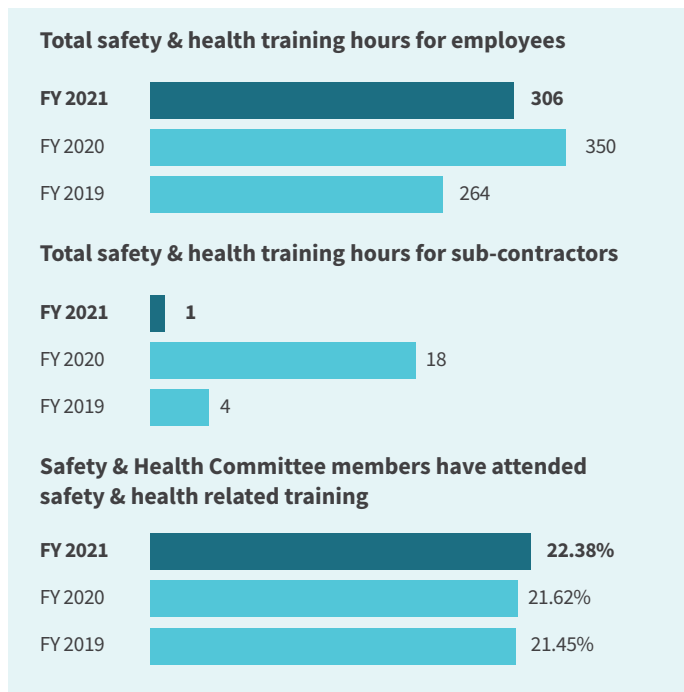
Toolbox briefing for workers at JREMT glove manufacturing plant

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In FY 2021, 22.38% or 32 of the Safety Committee members underwent safety training. Nonetheless, employees who are not part of the Safety Committee were strongly encouraged to attend safety-related trainings to instil awareness of the importance of workplace safety.

In FY 2021, 111 employees who are not part of the Safety & Health Committee were also sent to attend safety-related trainings.



M110 Employee Engagement, Diversity & Inclusion

A positively engaged workforce boosts productivity, reduces turnover and strengthens internal company culture. At Salcon, we are committed to establishing a diverse and inclusive work environment that attracts, retains and develops our employees.

Equal opportunities & diversity

Our commitment in promoting diversity and inclusion is outlined in the Equal Opportunity Employment Policy (“EOEP”) which states our firm stand on inclusive practices that benefit everyone, regardless of race, gender, age, physical disabilities or beliefs. We do not practice discrimination as set out in our “EOEP” and ensure our employees are treated equally by providing fair opportunity for all.

During the year under review, we are pleased to report that there was no incident of discrimination reported.

As at FY 2021, we have a workforce of 206 male employees and 177 female employees. Female employees account for 46.21% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 30.4% of the senior management consists of female employees, an increase of 4% compared with the preceding year.

As part of our commitment to promote gender equality in the organisation, the company launched a women empowerment initiative namely Salcon Women Inspiring Network (“SWIN”) in FY 2021 with the aim to enhance diversity and inclusive workforce and to spread awareness on women empowerment in 4 main focus areas i.e. women leadership, benefits, women rights and well-being amongst the employees. A committee formed by women employees from corporate and technical divisions is established to assist the Group in promoting more harmonious workforce and creating an enabling environment for women to have equal access to all opportunities.

Focus Areas in SWIN	Description	Initiatives in 2021/2022
<p>Women Leadership</p>	Support women in the workforce especially at managerial level and technical position to better equip women with leadership in the industry.	To increase the percentage of women in managerial positions as well as technical positions from 29% to 35%.
<p>Women Staff Benefits</p>	Addressing the challenges faced by women at the workplace to retain women workforce and their productivity.	Supporting breastfeeding at workplace with designated private room at Headquarters for nursing mothers returning to work.
<p>Women Rights</p>	Raising employee awareness on women’s right at workplace.	To conduct sexual harassment talk for all employees in 2022.
<p>Women Health & Wellness</p>	Addressing women’s health and well-being.	To conduct activities such as yoga class and health talks to promote well-being for women employees in 2022.

As for the diversity of gender at Board, the composition of the Board has 6 male and 1 female director since FY 2019 with good mix of skills, qualifications, experience and independence as well as gender.

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Workplace Wellbeing Activities 2021

Despite the constraints arising from the COVID-19 pandemic, the company continues to organise various employee physical and virtual engagement initiatives to ensure our employees' well-being, good physical & mental health, work-life balance as well as maintaining relationship with each other.



Staff joined the effort to green the office during **Adopt a Plant** activity



Food Waste Virtual Talk conducted by Lost Food Project (“LFP”) for all staff



Teaching staff to dispose e-waste properly through **E-waste Virtual Talk** conducted by Karun Hijau



49 volunteers and family members rallied together for a **Beach Clean-up** at Pantai Remis



Virtual yoga class was organised for staff



Medical waste bins were placed at office area to separate COVID-19 waste with other domestic waste

Deepavali Goodies Giveaway to all staff during Deepavali festival



Raya Goodies Giveaway to all staff during Ramadhan month





Mobile photography contest to all staff with different themes

Walk for Water Challenge organised for staff with the aim to aid orang asli and underprivileged community





SalconCare Pack which consist of hand sanitiser, fabric mask, vitamins etc was distributed to all staff during COVID-19 pandemic



Virtual Healthy Eating to Immunity Talk in conjunction with safety & health campaign week



Free health screening to all staff and the public at the mobile van during blood donation campaign



Distribution of Salcon Fabric Mask to all staff during Safety & Health Campaign Month

Virtual Mental Health Talk during the COVID-19 pandemic



Staff participation during **12th Salcon Blood Donation Campaign**





During the flash floods in December 2021, a total of 9 Salcon employees were affected with some having to be evacuated to flood relief centres. The Company donated a total of RM15,000 to the affected staff and their families on top of the fundraising from other staff to help ease their financial burden.



Salcon representatives visited employees affected by the floods and to hand over essential to help ease their financial burden

SALCON BERHAD [200201026133 (593796-T)]

Employee Demography

The employee demography of the Group is presented in the table below:

Description	2019	2020	2021
Total employees	376	326	383
Total employees by gender			
- Male	216	198	206
- Female	160	128	177
Total employees by region			
- Malaysia	350	303	368
- Thailand	1	1	1
- Sri Lanka	17	15	8
- Vietnam	6	7	6
- India	2	0	0
Total employees by employment type			
- Executive	257	222	210
- Non-executive	119	104	173
Total employees by age group			
- <30 years old	92	65	99
- 30-49 years old	199	179	199
- > 50 years old	85	82	85
Salary ratio (female:male)	1:2.4	1:2.37	1:2.43
Ethnicity (Malaysia only)			
- Malay	189	163	171
- Chinese	101	92	82
- Indian	32	26	90
- Others	28	22	25
New employees hires			
- Permanent employee	25	7	149
- Non-permanent employee	53	20	8
Employee Turnover by employment			
- Permanent	28	26	82
- Non-permanent employee	37	27	25
Employee Turnover Rate	7.4%	8.0%	21.4%
Gender of employees with position manager & above			
- Male	77	64	64
- Female	28	23	28
Total Training Investment (RM)	RM236,613.2	RM94,128.3	RM102,185.63
Average Training hours per employee*	3.69 hrs	2.11 hrs	1.79 hrs

*the average training hours/employee for 2019 – 2021 is adjusted upon inclusion of non-executive staff

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Labour Practices

The Group places great emphasis on nurturing a fair and conducive ecosystem for all our employee, adhering to local and international laws and regulations and incorporating best practices across our operations. In order to commit to the best labour practices and in relation to our newly acquired glove manufacturing business in FY 2021, the Group elevated Labour Practices as one of its key material issues to address our key stakeholder's concern on human rights and fair practices to the plant workers such as their living and working conditions, working hours, minimum wages etc.



We uphold a conducive and safe working environment for our employees

Employee Rights

We are committed to provide a work environment free from any form of child labour, forced labour, harassment, unlawful discrimination in line with the International Labour Organisation (“ILO”) Core Conventions.

The principles and actions are detailed on Salcon's official website under the section of Human Capital Development – Embracing Diversity and Human Rights.

Grievance Mechanisms

We believe a healthy communication between employee & employer is vital for a productive and positive workplace. Salcon provides a channel for this communication where issues such as dissatisfaction about the employment conditions, misconduct, relationship with colleagues or supervisors, or discrimination can be raised through our grievance mechanism based on the Group's Whistle Blowing policy.

There is no report on grievances or non-compliance on human rights issues in FY 2021.



Leveraging on workplace diversity and respecting the uniqueness of every employee

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ENVIRONMENT

Protecting the Environment

5,164.8 kg

of paper was recycled
in FY 2021

Reduction of

21.27%

energy consumption
intensity on a per unit basis for
admin offices in FY 2021

Reduction of

37.89%

carbon intensity emission for admin
offices in FY 2021



We are committed to safeguard the environment we operate in by minimising our negative environmental impacts through optimal waste management, reducing our pollution and carbon emissions, optimising water and energy use via operational efficiency initiatives, as well as protecting biodiversity. Our sustainability efforts are guided by our Salcon Green Policy, which outlines our commitments to reduce our Group’s carbon footprint and pollutions.

At a glance: Our Key Commitments

Key Focus

Our key Commitments

Conserving water



- Work to reduce water consumption and achieve water efficiency across our business operations
- Engage with the public to raise awareness on water conservation

Minimising pollution and maximizing resource efficiency



- To ensure disposal of scheduled waste generated in compliance with environmental law and regulation
- To ensure construction wastes disposed at authorised landfills that are licensed by the Local Authority
- Ensure 100% compliance within approved ranges as determined by Malaysia’s Department of Environment (DOE) at our project sites to prevent air and noise pollution

Contributing to climate action



- Minimising carbon footprint through resource efficiency
- Collaborating with external organisations on climate action
- Minimise energy consumption across business operation
- Improve energy efficiency

Preserving ecosystem



- To apply biodiversity conservation practices within our controllable area to reduce loss of biodiversity

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Water & Wastewater Management

Water is a precious resource for our business and the local communities that we operate in. Our water conservation efforts are guided by the Company's Green Policy and Water Management Plan (WMP) which aims to ensure efficient management of water resources, and setting long term targets to reduce water usage and incorporating water conservation elements in our operations.



The Green Policy and WMP are available at <https://www.salcon.com.my/sustainability/Climate-Change>



Our Target

To reduce water consumption intensity by 10% on a per unit basis by 2026 from 2016 for administrative offices.



Performance in FY 2021

The water consumption intensity in FY2021 reported an increase of 4% compared to the base year in 2016. This is mainly due to pipe leakages during the movement restriction period. The pipe leakages were resolved as soon as it was discovered and the water consumption is back to normal after repairing was conducted.

**excluding water consumption data from JREMT*

Over the last 3 years (FY 2021, FY 2020, FY 2019), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water i.e. dams or rivers.

Water Consumption Data

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. We are pleased to report that as at FY 2021, there are zero incident of non-compliance with water quality/ quantity permits, standards and regulations.

	FY 2016 (base year)		FY 2019		FY 2020		FY 2021	
	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees
Administrative Offices								
Envitech	549	53	362	51	382	51	490	50
SPS	n/a	n/a	13	18	6	17	n/a	n/a
Eco-Coach	16.8	18	329	22	149	13	44.7	14
Total	565.8	71	704	91	537	81	534.7	64
Water consumption intensity per person (m³)	8.0		7.74		6.63		8.35	

Note:

i) HQ, VBT and Green Fleet's water data is not available as its water usage is taken as part of the office rental

ii) Data for JREMT is not available in FY 2019 and FY 2020 as the acquisition was only completed in March 2021. Data for SPS is not available for FY 2021 as it was disposed on 2nd half of last year

The initiatives in water management are presented in the table below:

Key Water Consumption Reduction Initiatives	Company/ Operation Country
Non-Revenue Water ("NRW") reduction projects in Sandakan. Our NRW reduction achievement in FY 2021: a. 50% vis-à-vis 49% target reduction.	Malaysia
Partnership with Non-Government Organisation – Water Watch Penang for a holistic educational approach on water conservation.	HQ
Recycle water for site washing at project sites as well as car and depot washing.	Malaysia
Regular checking and immediate action taken for any leakage.	Group
Water Management Plan outlining approach to manage and reduce water resources.	Group

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Manufacturing Plant & Admin Office	FY 2021	
	Water Consumption (m ³)	Total gloves produced/year
JREMT	177,624	176,969,367
Water consumption intensity per 1,000 gloves produced (m³)	1.00	

* Water consumption intensity in glove manufacturing operations is measured on a per 1000 gloves basis.

Project Sites	FY 2019 (m ³)	FY 2020 (m ³)	FY 2021 (m ³)
KTU WTP	5,484	3,720	2,605
Ambathale WTP, Sri Lanka	869	422	n/a

Note: Water data for Ambathale is not available as the project has been completed and handed over to the authorities.

In FY 2021, the sludge generated from Langat CSTP project site, which had started operations at end of 2019, was recorded at the average of 40 tonnes dried sludge per day, subject to the daily treatment capacity. The dried sludge from the plant is disposed to an approved landfill operated by licensed contractor at Tapak Pelupusan Bukit Tagar, Kuala Langat.

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Pollution & Resources Management

Failure to comply with the environmental regulations negatively impacts our business operations and affects our license to operate. Besides being certified for the Environmental Management System (ISO 14001:2015) certification, the Group ensures 100% compliance across our business operations with Malaysia's Department of Environment ("DOE") as well as the guidelines set out by local authorities in the countries which we operate in.

As one of our key material issue, pollution & resources management cover the following topics:-

- 1) waste management including hazardous waste management,
- 2) raw material used,
- 3) air quality and noise management.



Our Target

Material Topic Target

Waste management



- To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations
- To ensure that construction wastes are disposed at authorised landfills that are licensed by the Local Authority

Raw material used



- Minimise negative environmental impacts at all our project sites

Air Quality & Noise Management



- Ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment ("DOE")

Waste Management

Having a proper waste management is essential to develop a long-term strategy for environmental protection. Guided by our QSHE policy, we strictly adhere to all applicable environmental laws and regulations across all our operations to ensure that all construction wastes are managed properly, improving resource efficiency and minimising waste disposal to landfill.

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Our initiatives in waste management are presented in the table below:

Waste Reduction Initiatives	Company/ Operation Country
<ul style="list-style-type: none"> Scheduled / hazardous waste to be stored in designated container for onward disposal by Department of Environment (“DOE”) licensed contractor to licensed location. We engage with responsible and ethical waste management contractors to ensure proper collection and disposal of the waste generated by the Group. 	Malaysia
<ul style="list-style-type: none"> Recycle practice at all offices. Recycling campaign/competition. Monitoring paper consumption in office. Introduction of e-waste bin at office for employees to dispose household or office e-waste properly. Fabric/textile recycling bin placed in office. 	Group level HQ HQ HQ and Project sites HQ

At Salcon, we believe that what gets measured gets improved. Hence, we are committed to monitor our scheduled waste and recycling data regularly to manage waste efficiently and to minimise our environmental impact. The 3-year scheduled waste data for our existing projects and recycling data are as below:

Scheduled Waste Data:

Project Site	FY 2019 (metric tonnes)	FY 2020 (metric tonnes)	FY 2021 (metric tonnes)
Langat CSTP	0.2	n/a	n/a
KTU WTP	0.01	0.01	0.01
Ambathale Storm Water Pumping Station	6.00	1.3	n/a
Telibong WTP	n/a	0.007	4.58
JREMT	n/a	n/a	243

Note:

i) Data for Langat CSTP and Ambathale WTP, Sri Lanka is not available as the projects have been completed and handed over to authorities in FY 2021.

ii) Data for JREMT not available in FY 2019 and FY 2020 as the acquisition was only completed in March 2021.

Recycling Data:

Recycled Data	FY 2019 (kg)	FY 2020 (kg)	FY 2021 (kg)
a) Paper	2,479.0	3,032.3	5,164.8
b) Plastic	22.1	63.5	9.1
c) Metal	24.0	64.7	20.2
d) Glass	4.3	12.4	0
e) Reusable Items	274.9	134.1	301.1
f) Electronic Items	0.5	141.0	27.6

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Raw Material Used

We hold our suppliers accountable to responsible procurement practices to ensure effective and sustainable supply chain management for our raw materials and construction works. Our procurement practice is guided by the Salcon Green Policy, which outlines our commitment towards an Environmental Purchasing Program that covers the procurement of environmentally sound product. To ensure adequate stock level and prevent wastages, we are committed to record the usage of raw materials.



*The Green Policy is available at <https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf>

The data for raw material used is presented in the table below:

Raw Material Used	FY 2019	FY 2020	FY 2021
KTU WTP Project (tonnes)			
- Reinforcement Bar	1,179.1	669.81	-
- Concrete	26,832	10,012.8	2,593.2
Ambathale Storm Water Pumping Station (tonnes)			
- Ready mixed concrete	3,875	1,830	n/a
- Steel bar	250	106.5	
- Wooden plywood	31.5	-	
- Cement	n/a	16.6	
- Sand	n/a	207.5	
Eco-Coach & Tours (litres)			
- Diesel	1,094,773.6	929,517	692,120.2
Green Fleet (litres)			
- Diesel	269,627.7	231,960.4	147,125.9
JREMT (tonnes)			
- Nitrile & Latex	2,198.6	3,113.75	3,349.34

Air Quality & Noise Management

At our project sites, we ensure full compliance with the local laws and regulations on the approved ranges by the respective environmental authorities to prevent air and noise pollution. The following initiatives are undertaken:

Categories	Key Initiatives in Pollution & Resources Management	Company/ Operation Country
Air Quality	<ul style="list-style-type: none"> Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood. 	Project Sites
Noise	<ul style="list-style-type: none"> Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings. 	Project Sites

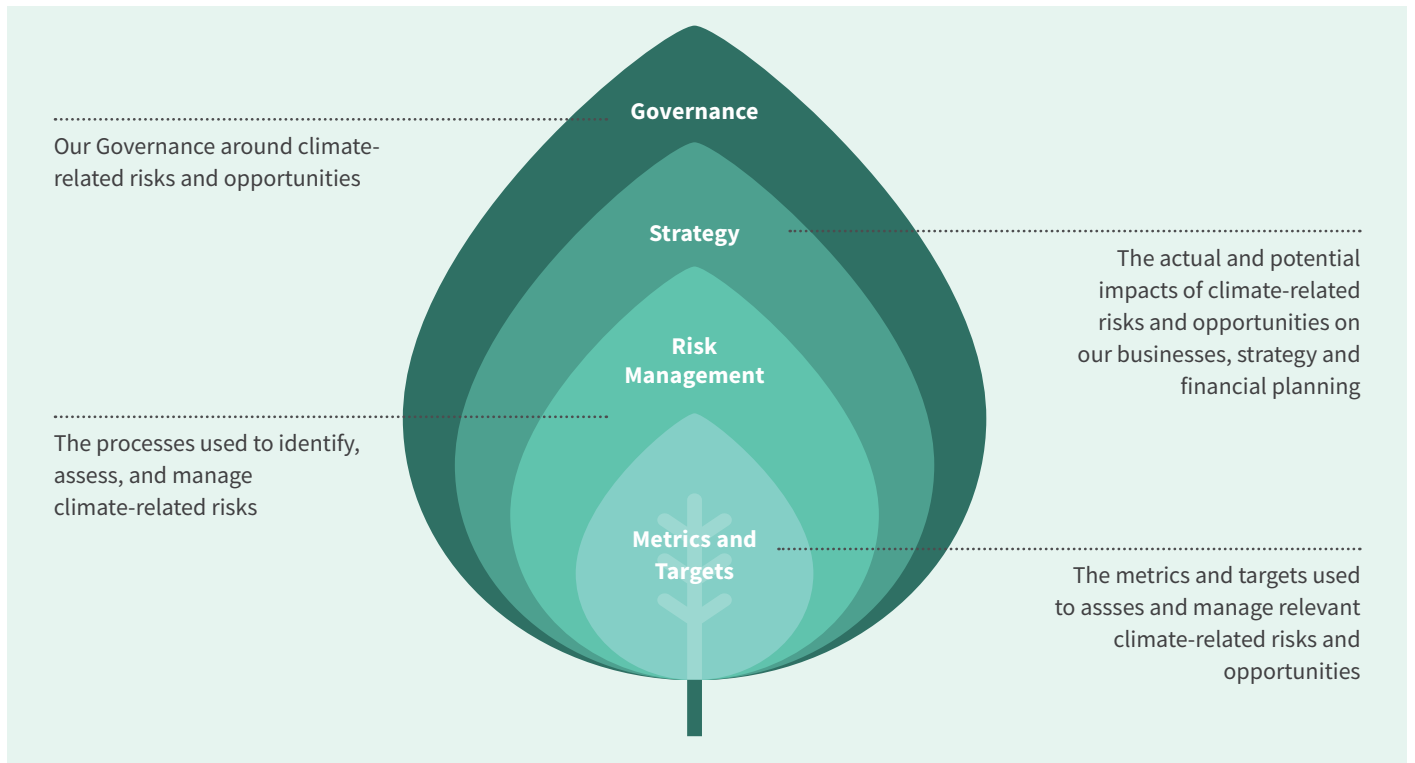
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GHG Emission & Climate Change

The Intergovernmental Panel on Climate Change (“IPCC”) 2021 assessment report has been termed as a “code red” for humanity and warns of irreversible climate impact and global warming, coupled with more severe and frequent extreme weather events. Urgent actions are needed to limit global temperature to well below 2° C.






Alignment to the Task Force On Climate-related Financial Disclosures (“TCFD”)

Whilst the Group has adopted the TCFD framework to disclose climate related risks and opportunities since 2019, we recognise that there are areas which need to be strengthened and improved to ensure better risk management and informed strategic planning. As part of our continuous commitment to improve our climate related disclosures, we became a TCFD signatory in October 2021.



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TCFD Key Pillars	Salcon's Key Approaches	Refer to page
 Governance	<ul style="list-style-type: none"> Dato' Rosli bin Mohamed Nor, the Chairman of SC has been appointed as the Advisor – Climate Change to oversee climate risks and mitigation plans for the Group. Supported by the SC, the Board oversees the Group's environmental and climate risks and opportunities, strategies, initiatives and performance and approves the Sustainability Statement which provides disclosure of the company's environmental and climate change agenda. Reviewed and included Healthcare division and Renewable Energy division in the Sustainability Governance structure. Green Policy outlines commitments on climate change, and provide guidance on management of climate change and environmental risks and opportunities. In FY 2021, the Group's Green Policy has been reviewed and endorsed. <p> The Green Policy is available at https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf</p>	46
 Strategy	<ul style="list-style-type: none"> Conducted Climate Change Scenario Planning by analyzing the impact of an increase in 2 °C on our business operations. Climate Change Adaptation strategies through strategic partnerships and collaboration, diversification, and ensuring full compliance with environmental regulations over short, medium and long term. 	68 69
 Risk Management	<ul style="list-style-type: none"> Identifying and mitigating the environmental and climate risks and opportunities, through Enterprise Risk Management (ERM) framework. Managing climate related operational issues through externally certified ISO 14001 Environmental Management System (EMS). 	96 64
 Metrics and Targets	<ul style="list-style-type: none"> Reviewed and updated targets set for carbon emissions and energy consumption for FY 2021 onwards. Track and monitor climate related metrics including 3-year energy consumption intensity, water consumption intensity & waste generation. Ensure transparent disclosure of carbon intensity including Group wide Scope 1 & 2 GHG emissions. 	70-73

This year, we achieved zero case of significant fines and non-monetary sanctions for environmental non-compliance from government authorities.

Climate Change Scenario Analysis

Climate change imposes significant risks and opportunities on our business operations, and the Group places great emphasis on ensuring climate resilience. To better manage our key material environmental issues, we considered the effects of an increase of >2°C change on our business over the short, medium and long term. This year, we have included our new healthcare division into our climate change scenario analysis, along with our existing key markets.

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Climate-related Risks & Opportunities and Impacts

Based on the analysis, climate change is projected to bring the following impacts/risks to our business directly:

Category		Factor	Impact on our business	Scope	
Risks	Physical	Water related hazards	<ul style="list-style-type: none"> Water related hazards such as water pollution and water scarcity and drought may affect our business operations at project sites Disruption to our transportation operations, including facilities and assets 	<ul style="list-style-type: none"> SEB Envitech Group	
		Storms and flooding causing damage to buildings and infrastructure			
	Transitional	Legislative	<ul style="list-style-type: none"> Contractual or legal obligations due to uncertainty of water quality, quantity and volume National climate policy including carbon tax and Domestic Emissions Trading Scheme (“DETS”), directly impacting financial performance as inaction costs increases Changes in infrastructure and building codes under the new Climate Change Act in Malaysia 	<ul style="list-style-type: none"> Increasing need for the Group to ensure full compliance to environmental regulations and improve sustainability performance 	Group
		Market	<ul style="list-style-type: none"> Increase in cost of raw materials and construction costs leading to higher property prices Increase in cost of water/wastewater treatment process leading to profit reduction Rise in fuel and energy prices 	<ul style="list-style-type: none"> Impact on the Group’s financial performance 	Group
Reputation		Increase in stakeholder pressure – stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment	<ul style="list-style-type: none"> Increasing need for the Group to improve sustainability performance to maintain license to operate 	Group	
Opportunities	Transitional	Market	<ul style="list-style-type: none"> Opportunity to leverage on emissions trading schemes (“ETS”) to establish competitive advantage by reducing the group’s carbon emissions 	<ul style="list-style-type: none"> Increasing need for rapid decarbonisation to create new profit opportunities 	Group
			Opportunity to collaborate with institutions or higher learning to develop innovative technology that can contribute to the mitigation and adaptation to climate change	<ul style="list-style-type: none"> Increased corporate value and revenue from expanded collaborations 	Group
		Products & Services	Rapid growth in renewable energy sector due to global clean energy transition	<ul style="list-style-type: none"> Opportunity to expand renewable energy-related business as demand for renewable energy facilities increases 	Inergist

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Green House Gas (GHG) Emission Management

Effective climate actions require reduction of our carbon footprint. Accelerating the transition to clean and sustainable growth is an opportunity to create value for our stakeholders and help make life better for everyone.



Our Target

To reduce total carbon emissions by 10% by 2026 from 2019 (base year) for administrative offices.



Performance in FY 2021

Achieved a reduction of 37.89% in carbon emissions intensity.

*excluding carbon emissions data from JREMT

The initiatives in GHG emission reduction and management are presented in the table below:

GHG Emission Reduction Initiatives	Company/ Operation Country
• Video conferencing to replace air travel.	Salcon HQ Penang
• Usage of diesel instead of oil for our transportation services.	

We measure and track our carbon emissions at our offices and subsidiaries, with the base year of 2019. Due to the pandemic and the surge of demand for gloves, our newly acquired healthcare division, JREMT, contributes the most to the Group's carbon emissions. The division has started to reduce its carbon emissions by investing in more energy efficient equipment.

In FY 2021, we continue to measure and report our direct carbon emissions (Scope 1) and Energy Indirect (Scope 2) GHG emissions across our Group. Moving forward, we plan to monitor our Indirect (Scope 3) GHG emission upon business travels resumption, in order to help us deepen our understanding of our carbon footprint.

Scope 1 - CO₂ Emissions (MT equivalent) from Company-owned Vehicles by Fuel Type:

	CO ₂ emissions (MT equivalent) FY 2019 (base year)		CO ₂ emissions (MT equivalent) FY 2020		CO ₂ emissions (MT equivalent) FY 2021	
	Petrol	Diesel	Petrol	Diesel	Petrol	Diesel
Administrative Offices						
HQ	217,756.11	131,891.12	159,837.24	121,453.46	137,381.30	95,883.88
Envitech	103,715.92	61,947.67	85,718.62	39,655.80	76,262.38	41,589.83
SPS*	-	20,159.76	589.15	-	-	-
Eco-Coach	-	2,891,297.15	-	2,454,854.37	-	1,827,889.37
Green Fleet	-	712,086.73	-	612,607.29	-	388,559.48
Total	321,472.03	3,817,382.43	246,145.01	3,228,570.92	216,646.68	2,353,922.56
Total CO₂ emission (MT)	4,138,854.46		3,474,715.93		2,570,569.24	

Note:

i) The CO₂ emission calculation is based on the protocol from IPCC Guidelines for National Greenhouse Gas Inventories.

ii) Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Manufacturing Plant & Office

	CO ₂ emissions (MT equivalent) FY 2021	
	Petrol	Diesel
JREMT	24,199.75	95,054.66
Total CO₂ emission (MT)	119,254.41	

* As the measurement of the reduction intensity in the operations of glove manufacturing is different, the CO₂ emission data of JREMT will not be included in the Group's target.

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Scope 2 - CO₂ emissions (MT equivalent) from Electricity Consumption**Administrative offices:**

Administrative Offices	CO ₂ emissions (MT equivalent)		
	FY 2019	FY 2020	FY 2021
HQ	98.10	80.24	83.49
Envitech	51.71	58.20	50.32
SPS	6.39	5.55	n/a
VBT	31.56	31.92	25.23
Eco-Coach	38.11	51.78	37.14
Green Fleet	7.43	7.57	0.20
Total CO₂ emission (MT)	233.30	235.26	196.38

Note:

i) The CO₂ emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.

ii) Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Manufacturing Plant & Office	CO ₂ emissions (MT equivalent) FY 2021
	Total Electricity Consumption
JREMT	3,005,052.00
Total CO₂ emission (MT) (Scope 2)	2,085.51

* As the measurement of the reduction intensity in the operations of glove manufacturing is different, the CO₂ emission data of JREMT will not be included in the Group's target.

Projects Sites	CO ₂ emissions (MT equivalent)		
	FY 2019	FY 2020	FY 2021
KTU WTP	72.74	32.46	43.47
Langat 2 WTP	259.39	149.65	n/a
Langat Package 15 (4)	9.01	3.11	7.04
Telibong WTP	10.33	13.26	26.23
Langat CSTP	225.45	100.15	n/a
Ambathale Storm Water Pumping Station	7.68	13.81	0.25
Total CO₂ emission (MT)	584.60	312.44	76.99

Note:

i) The CO₂ emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.

ii) Data for Langat 2 WTP and Langat CSTP are not available as the project has been completed and handed over to authorities in FY 2021.

Total Carbon Intensity in FY 2021 (Scope 1 and 2) for admin offices: 2,570,765.62 MT

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Energy Management

Energy management & consumption is one of the largest sources of GHG emissions and as such, it is vital that we work to maximise energy efficiency to reduce our operational expenses and reduce our carbon footprint.



Our Target

To reduce energy consumption intensity by 50% on a per unit basis by 2026 from 2016 (base year) for administrative offices.



Performance in FY 2021

Achieved a reduction of 21.27% in energy consumption intensity.

**excluding energy consumption data from JREMT*

The initiatives in energy management are presented in the table below:

Key Initiatives in Pollution & Resources Management	Company/ Operation Country
• Temperature control for air conditioning.	Group level
• Turn-off air conditioning system and light when the room is not occupied.	Group level
• Replacing faulty lights to LED lights which is more environmentally friendly.	HQ, Envitech
• Turn off lights during lunch time for one hour in conjunction with Salcon Environment Week.	HQ
• Educating employees on energy saving through posters and email.	Project sites, Malaysia
• Clear Perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang.	Penang
• Diversification into Renewable Energy sector (Solar Power).	Malaysia

Our energy consumption data below was extracted from the electricity bills generated by the national electricity utility authority in the respective operating areas.

Energy Consumption at Administrative Offices:

Office	FY 2016 (base year)		FY 2019		FY 2020		FY 2021	
	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
HQ	147,368	124	141,359	238	115,623	220	120,298	194
Envitech	79,240	53	74,513	51	83,860	51	72,504	50
VBT	47,096	16	45,472	17	45,993	16	36,352	16
SPS	n/a	n/a	9,203	18	7,992	17	n/a	n/a
Eco-Coach	2,239	18	54,915	22	74,613	13	53,511	14
Green Fleet	n/a	n/a	10,713	2	10,905	3	293	1
Total	275,943	211	336,175	348	338,986	320	282,958	275
Energy consumption intensity per person (kWh)	1,307		966.02		1,059.33		1,028.94	

Note: * Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Energy Consumption at Project Sites:

Projects Sites	FY 2019 (kWh)	FY 2020 (kWh)	FY 2021 (kWh)
KTU WTP	61,592	47,317	62,630
Langat 2 WTP	373,756	215,631	n/a
Langat Package 15 (4)	12,980	4,478	10,151
Telibong WTP	14,884	58,818	37,800
Langat CSTP	324,861	144,314	n/a
Ambathale Storm Water Pumping Station	11,072	19,903	355

Note: * Data for Ambathale WTP was reported based on the energy consumption before it was disposed in 2nd half of last year.

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Energy Consumption at Manufacturing Plant & Admin Office:

	FY 2021 (kWh)	No. of glove produced/year
JREMT	3,005,052	176,969,367
Energy consumption intensity per 1,000 gloves produced (kWh)	16.98	

* Electricity consumption intensity in glove manufacturing operations is measured on a per 1,000 gloves basis.



Feature: Saving Energy via Steam Energy



Generation of steam energy by using wood biomass through combustion at JREMT

As part of JREMT’s initiative in reducing energy consumption, the glove production machines are partially powered by steam energy which is generated by wood biomass through combustion. The investment of steam energy system cost around RM500,000 which include the heat exchanger, flash jet pump and steam trap and is estimated to save the heating energy consumption.

MI17

Biological Impact

We recognise the importance of maintaining the ecosystem and biodiversity across our project sites by reducing actions which adversely impact the environmental health.

Our biodiversity conservation practices are guided by the Group’s Green Policy, which promotes application of biodiversity conservation practices within our project area to reduce the loss of biodiversity in order to achieve a net positive biodiversity impact.

The initiatives in biodiversity are presented in the table below:

Key Initiatives in Biodiversity Management	Company/ Operation Country
• Conducted Environmental Aspect Identification (“EAI”), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) before commencing a project.	Malaysia
• Strictly zero burning and zero hunting at project site.	Malaysia
• We are a signatory with World Wild Life (“WWF”) to support No-Shark Fin for all our corporate functions.	Malaysia
• Yearly oil spillage drill to avoid soil contamination.	Malaysia
• Yearly tree planting day with NGO such as Malaysia Nature Society (“MNS”).	Malaysia

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

Creating Sustainable Value through Partnerships

Sustainability is about creating sustainable value through collaborations, and we strive to establish partnerships with external organisations which are in alignment with our sustainability agenda to drive our sustainability initiatives and to reach out to our stakeholders.

Water Advocacy Amongst School Students

Partner: 

The Water Genius Challenge (“WGC”) is a continuation of our water conservation and advocacy efforts involving schools in the Klang Valley. The program is a 1.5 years long water-audit based competition, which aims to provide environmental education, empowering students to take action creatively, and to promote participation from everyone in schools.

Please refer to page 75 for more details on our WGC.



Beach Clean-up Initiative

Partner: 

Our beach clean-up initiative was organised in conjunction with our annual environment campaign, themed #wastereductionweek and in collaboration with Us For Ocean (“UFO”) and Majlis Perbandaran Kuala Selangor (“MPKS”). A total of 49 Salcon Berhad’s volunteers and family members participated in the beach clean-up initiative.

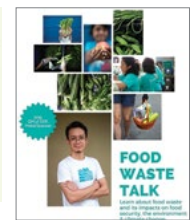
During the clean-up effort, over 310 kg of trash was collected at Pantai Remis in Jeram. The waste collected included plastic bottles and caps, plastic bags, cigarette butts, fragmented plastic pieces and food wrappers.



Raising awareness and actions on domestic waste

Partner: 

As part of our annual Safety and Health Campaign with the theme #wastereductionweek, a food waste and an e-waste talk was organised in collaboration with the Lost Food Project, a not-for-profit organisation dedicated to a sustainable future by rescuing ‘lost’ food and Karun Hijau, Malaysia’s Leading Digital Recycling Platform. The aim of the talks was to create awareness on the consequences of food waste, and the actions they can take in their daily lives as well as the current state of e-waste problem, and the importance of managing e-waste properly.



Promoting recycling movement in collaboration with Trash4Cash and Kloth Cares

Partner: 

As part of our effort to ensure efficient use of resources, we strive to promote a recycling culture in our office. In FY 2021, we have continued to encourage our employees to recycle and engaged Trash4Cash Sdn Bhd to collect our recyclables. We have in total recycled 946.9kg of paper, plastic, glass, reusable items, metal and electronic items.

We have also continued our effort on educating our people on fabric recycling initiative in collaboration with Kloth Malaysia, by setting up our Salcon Fabric Recycling Bin in the office since 2020, to encourage our people to recycle unwanted fabric. In FY 2021, we are proud to say that we have managed to collect 281.1 kg of fabric including pre-loved clothing, handbags, belts, linen and soft toys.



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SOCIAL CAPITAL

Enriching the Community

47

Salcon Cares Volunteers
Contributed **274 hours** in Year 2021

RM255,905

spent for community development

Collected

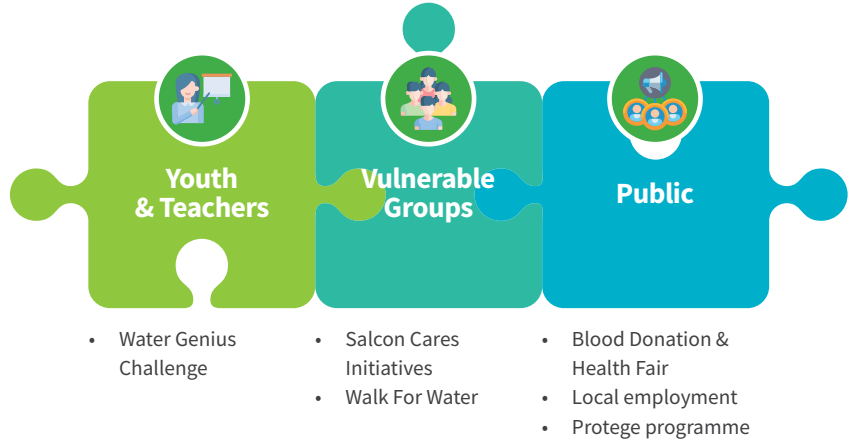
52

pints of blood through Annual Salcon Blood Donation Drive



At Salcon, community benefit and engagement play an integral part in our strategic plans as we believe that sustainable business growth occur when our communities grow alongside us.

Our community engagement is based on four (4) main approaches; Empowering Education, Community Outreach, Philanthropic Giving and Local Employment and is designed to benefit different level of community groups.



Empowering Education

Virtual learning - Water Genius Challenge

The Salcon Water Genius Challenge is organised in collaboration with **Water Watch Penang (“WWP”)** and supported by **Cap-Net**, a UNDP’s global network for capacity building development in sustainable water management. The programme kicked off in July 2020 with the participation of more than 120 students and teachers from 10 schools in the Klang Valley.

The 1.5 years long programme is aimed to produce long term outcomes in water stewardship practices by empowering school communities to take a proactive role to promote innovative and creative ways to reduce water consumption in their respective schools.

Through this programme, participating schools are required to fulfil a 7-Step process comprising conducting water audit,

establishing and executing action plan, integrating water related topics into various subjects in school, and progress and results carried out creatively in social media.

The finale of Water Genius Challenge was held on December 4th 2021 with SMK Damansara Damai 1 walking off with the grand prize through their commitment and efforts in spreading the water awareness through various initiative implemented for their school and communities.



Participants of SMK Damansara Damai 1 receiving the grand prize as the champion of Water Genius Challenge 2020/21

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

Community Outreach

12th Annual Blood Donation Drive

Despite the on-going COVID-19 pandemic and lockdowns, our 12th annual blood donation drive was successfully organised towards the end of the year with the support from National Blood Centre in Summit USJ.

Through this campaign, we registered 66 donors and successfully collected 52 pints of blood which translates to potentially saving 156 lives.

The event was also in collaboration with Subang Jaya Medical Centre which provided free health screening to all visitors at the mobile van outside the Summit USJ complex.



Salcon 12th annual blood donation drive was successfully organised despite the on-going COVID-19 pandemic and lockdowns

Walk for water- Kg Paya Lebar Orang Asli Community

This programme is part of our continuous effort in reaching out to a wider cross section of the community through our series of CSR initiatives organised throughout the year. It is a community engagement programme for the indigenous communities in Hulu Langat.

The Walk for Water Competition that participated by 39 volunteers walk with an objective to aid orang asli and underprivileged community to have continuous access to sustainable, clean water supply which is powered by solar panels.

The Walk for Water competition which launched in conjunction with World Water Day in March 22nd for the million steps challenge held virtually and successfully collected a total amount of 9,953,020 steps equivalence to RM 9,953.02.

8 volunteers together with Saora Industries visited the Orang Asli village and help to install water filter and conduct an awareness workshop on oral hygiene and clean water for the villagers.



Children of Kg Orang Asli Paya Lebar taking turns to take filtered water from solar-powered water purification system installed by Salcon Berhad

Book Donation

This year, we collaborated with the Budimas Charitable Foundation, a Non-Governmental and Non-Profit Organisation with the mission of providing guidance and funding in support of the welfare and the well-being of orphans and underprivileged children in Malaysia to collect preloved books from our employees. All donated books were channelled to the Budimas Children's Library, a community centre and an education space for Orang Asli community across region.

Philanthropic Giving

Salcon Cares Initiative

Under the "Salcon Cares" Community Outreach programme, the company launched its initiative to provide relief to the communities facing adverse impacts due to the COVID-19 pandemic. Close to RM23,000 was fund raised, with the Company matching every donation from generous Salcon's employees, which amounted to approximately RM11,500.

The funds were channelled to aid and benefit communities where Salcon is operating in.

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Salcon Cares Initiative in Sandakan



Collaborated with MAPIM (Mimbar Permuafakatan Ibu Bapa Malaysia)
Distributed **100 food packages**

Salcon Cares initiative in Langat



Collaborated with Badan Kebajikan Penduduk Taman Seri Keramat
Distributed **50 food packages**

Salcon Cares initiative with Pertubuhan Kebajikan Warga Emas Kenang Budi



Donated **Groceries & Medical worth RM5,000**

Back To School Programme



Giving out school supplies to students from Sekolah Kebangsaan Sri Subang Jaya

The Group contributed school supplies and uniforms to 42 students from B40 household at SK Sri Subang Jaya. The Back to School programme is aim to help ease the burden of the parents and to ensure that these students have a positive and meaningful back-to-school experience by equipping them with essential supplies.

Contribution to needy groups

In FY 2021, the Group donated more than RM12,000 to various charity homes namely Pertubuhan Orang Buta Malaysia, Skuad 69 PDRM Sabah, Pertubuhan Penderma Darah Malaysia, and Malaysia Innovation, Invention & Creativity Association.

As part of its ongoing commitment to support Malaysians hit by one of its worst floods in decades, the Group donated RM200,000 to the Selangor State Government to aid disaster relief and recovery efforts in December 2021.

Local Employment

Our commitment to supporting and developing local communities is not only limited to the various corporate social responsibility (CSR) initiatives in our area of operations but also creating sustainable employment opportunities to local communities.

In line with our commitment to SDG 8: Decent work and economic growth, we provide employment opportunities to the local community where we operate in to drive the local economy.

Internship opportunities

The Group continues our long-standing commitment towards growing our graduate talent pool by offering a protégé programme for fresh graduates.

The programme focuses on elevating participants’ skills, knowledge and real-life working experience, with the ultimate goal for these graduates to build a strong foundation for a successful future. To date, Salcon has successfully trained 9 protégé and look forward to benefit more graduates in the near future.

MOVING FORWARD

Guided by our Sustainability Framework, we will continue to focus on managing our 5 pillars i.e. business growth, leadership & governance, human capital management, environment protection and community outreach, to maximise positive outcomes that are strategic to our sustainable growth.

Board of Directors

SALCON BERHAD [200201026133 (593796-T)]



From dedicated and strong board members to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in. The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth of the Company by delivering profitability and a healthy economic performances.



85.7% Male | 14.3% Female



57.1% in 5-11 years | 42.9% in < 5 years



TAN SRI ABDUL RASHID BIN ABDUL MANAF

Chairman, Independent
Non-Executive Director

Male | 75 | Malaysian

Appointed to the Board:

2 January 2019

Number of Board Meeting Attended during FY 2021:

5/5

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Male | 64 | Malaysian

Appointed to the Board:
1 January 2010

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 68 | Malaysian

Appointed to the Board:
1 January 2010

**Number of Board Meeting
Attended during FY 2021:**

5/5



Female | 61 | Malaysian

Appointed to the Board:
30 December 2019

**Number of Board Meeting
Attended during FY 2021:**

5/5

Board of Directors

SALCON BERHAD [200201026133 (593796-T)]



Male | 63 | Malaysian

Appointed to the Board:
2 July 2018

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 66 | Malaysian

Appointed to the Board:
3 January 2011

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 58 | Malaysian

Appointed to the Board:
17 December 2014

**Number of Board Meeting
Attended during FY 2021:**

5/5

Board of Directors' Profile

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TAN SRI ABDUL RASHID BIN ABDUL MANAF

*Chairman, Independent
Non-Executive Director*

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 75, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

Tan Sri Abdul Rashid 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. His services with the Government came to an end in 1977 when he left to join private practice and venture into business.

Tan Sri Abdul Rashid was the Chairman of the Board of S P Setia Berhad from 1996 until 2012. He was also the Group Chairman of Cahya Mata Sarawak Berhad from October 2018 to September 2021.

Tan Sri Abdul Rashid is currently the Founder and Non-Independent Non-Executive Director of Eco World Development Group Berhad and Chairman, Independent Non-Executive Director of Perak Corporation Berhad.

TAN SRI DATO' TEE TIAM LEE

Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 64, 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, timber industries 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 is a director of Salcon Engineering Berhad and also a Director of several private limited companies including Tabir Arena Group of Companies, 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 the Adviser/Director of the Chinese Chamber of Commerce in Terengganu since 1995.

Currently, Tan Sri Dato' Tee is also a Committee Member of Malaysia-China Chamber of Commerce ("MCCC"), the Founder-Member of The Federation of Malaysia Chinese Guilds Association and The Federation of Hokkien Association of Malaysia. Tan Sri Dato' Tee is also the Eminent Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCIM").

DATO' LEONG KOK WAH

Executive Director

Dato' Leong Kok Wah, aged 68, 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.

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

Board of Directors' Profile

SALCON BERHAD [200201026133 (593796-T)]

**DATIN GOH
PHAIK LYNN**

**DATO' ROSLI BIN
MOHAMED NOR**

*Non-Independent
Non-Executive Director*

*Independent
Non-Executive Director*

Datin Goh Phaik Lynn, aged 61, 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 an illustrious career in the 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 during her tenor with the bank from 1983 to 2000.

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.

Datin Goh is a member of the Audit Committee of the Company.

Dato' Rosli Bin Mohamed Nor, aged 63, 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. He is also the Corporate Advisor to Hassan (Cambodia) Co. Ltd. a prominent shopping mall developer in Cambodia.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He also appointed as the Advisor-Climate Change to oversee climate risks and mitigation plans for the Group.

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DATO' CHOONG MOH KHENG

*Independent
Non-Executive Director*

Dato' Choong Moh Kheng, aged 66, 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 Nomination Committee and Remuneration Committee of the Company.

CHAN SENG FATT

*Senior Independent
Non-Executive Director*

Chan Seng Fatt, aged 58, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr Chan 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 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 was an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 till 31 March 2021.

Mr Chan is currently an Independent Non-Executive Director and the Chairman of Audit Committee of Fitters Diversified Berhad and Star Media Group Berhad.

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.

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 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 2021.

Key Senior Management's Profile

SALCON BERHAD [200201026133 (593796-T)]

LEONG YI SHEN

Chief Financial Officer | Male | 31 | Malaysian

Date of first appointment to key senior management position:

20 August 2021

Name of Company:

Salcon Berhad

Qualification (s):

- Bachelor of Commerce (Accounting and Finance) from The University of Melbourne.
- Victorian Certificate of Education from Scotch College, Melbourne.

Professional Qualification

- Chartered Accountants (Malaysia)
- CPA Australia

Working Experience (s):

Leong Yi Shen started his career as an Associate in CIMB Investment Bank under "The Complete Bankers" Program in 2012 and then continued his career in CIMB Commercial Banking until 2017.

Leong Yi Shen then joined Salcon Berhad under its travel-related subsidiary, Salcon Xinlian Sdn Bhd and has since become more active in the Group level as Vice President, Group Strategy & Strategic Investments, Finance. He oversees a portfolio of investments on behalf of the Group and was involved in carrying out financial due diligence on acquisitions for the Group. He also heads the Renewable Energy division within the Group.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

Leong Yi Shen is the son of Dato' Leong Kok Wah and Datin Goh Phaik Lynn who are the directors and major shareholders of the Company.

Save as disclosed above, Mr Leong Yi Shen does not have any family relationship with any Director and/or major shareholder of the Company.

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

JAMILUDDIN AMINI BIN SULAIMAN

Chief Operating Officer | Male | 54 | Malaysian

Date of first appointment to key senior management position:

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 Bin Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the past 31 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

After graduation, he started his career as Environmental Analytical Chemist, followed by Project Engineer with environmental engineering companies in the United States. He was primarily involved in developing technology for hazardous wastewater control under USEPA SBIR program and operating an inorganic testing laboratory in conducting various tests on water, wastewater, soil and sludge. Upon returning to Malaysia, he joined a local engineering consulting firm and was tasked to carry out detailed engineering studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a construction team in Sg. Selangor Water Supply Scheme Phase 2. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project, Director of Engineering & Proposal and assumed the present position in January 2021. He currently oversees the overall operation of various divisions and departments of the company in water and wastewater sectors.

Directorship in public companies and listed companies

Salcon Engineering Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

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LEE THIM LOY

Managing Director | Male | 73 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

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 48 years of 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 Sewerage Master Plans and Feasibility Studies for the Townships in Shah Alam, Seremban and Bintulu 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 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.

Mr. Lee's latest experience serves as one of the Project Directors in the design, supply, installation, testing and commissioning of the mechanical and electrical equipment for the Langat Centralised Sewage Treatment Plant catering for a population equivalent of 920,000 persons or sewage flow rate of 207,000 m³/ day.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

LOW BENG PEOW

Executive Director | Male | 75 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

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 41 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 projects since the incorporation of Envitech Sdn Bhd in year 1984.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

Key Senior Management's Profile

SALCON BERHAD [200201026133 (593796-T)]

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

Chief Executive Officer | Male | 58 | Malaysian

Date of first appointment to key senior management position:
May 2014

Name of Company:

Volksbahn Technologies Sdn Bhd

Qualification (s):

- Bachelor of Business Administration and International Marketing from Eastern Michigan University US.

Working Experience (s):

Dato' Mohammad Hakim Low Bin Abdullah has more than 21 years of Telco Industry experience in senior positions with Malaysian and International Companies such as Wembley Industries, Lucent Technologies, Sapura Digital, Commverge Solutions and KargoCard. In his various commercial roles, he spearheaded the introduction and boost of sales for new products and services for the telecommunication and consumer industry.

Besides being the Managing Director and Co-Founder of Volksbahn Technologies Sdn Bhd, he sits on the Board of Directors of various companies as a strategic and commercial advisor.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

VERGIS MATHEWS A/L V V MATHEW

Chief Executive Officer | Male | 61 | Malaysian

Date of first appointment to key senior management position:
1997 - Managing Director

Name of Company:

Eco-Coach & Tours (M) Sdn Bhd

Qualification (s):

- ACCA (UK Variance)

Working Experience (s):

Vergis Mathews has extensive career experience in various industries including transportation or logistic business for more than 21 years, film production, advertising and marketing, and audit and corporate tax.

Vergis Mathews was an Associate partner in Paul Charles & Associates from 1 February 1980 to 30 June 1986 before leaving for Coopers & Lybrand, London, United Kingdom as Audit Senior from 1 July 1986 to end 1991. He then joined the film production industry from 1 March 1992 to 30 March 2000 as Finance and Business Development Director.

In year 1997, he was appointed as Managing Director of Eco-Coach & Tours (M) Sdn Bhd to the Fleet Operation and seconded by Petronas NGV to assist the Chairman of Commonwealth Games 1998 Rt. Gen. Tan Sri Hashim Ali on the logistic coordination and needs for 2000 unit/fleet vehicles XVI Kuala Lumpur, 1998 Commonwealth Games.

Directorship in public companies and listed companies

The Asia Nature Conservation Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

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GANESAN A/L SUBRAMANIAM

Managing Director | Male | 59 | Malaysian

Date of first appointment to key senior management position:

June 2001

Name of Company:

JR Engineering And Medical Technologies (M) Sdn Bhd

Qualification (s):

- Diploma in Mechanical Engineering from Bradford Technical College Kuala Lumpur in 1986.

Working Experience (s):

Ganesan ventured into the glove manufacturing business in 1991 when he joined Brightway Holdings Sdn Bhd and was the General Manager when he left in 2001. He has more than 30 years of experience in the glove manufacturing industry as well as expertise in the design, engineering, construction of gloves dipping lines, quality control system and management in the wastewater treatment plant and boilers.

Ganesan founded JR Engineering And Medical Technologies (M) Sdn Bhd in 2001 and has been the Managing Director after the incorporation.

Ganesan has vast experience and knowledge in setting up of glove dipping plants and know-how technical application and inputs for plants set-up. He has advised several glove companies both locally and abroad on the setting up of gloves dipping plants.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

Corporate Governance Overview Statement

SALCON BERHAD [200201026133 (593796-T)]

The Board of Directors (“the Board”) of Salcon Berhad (“Salcon” or “the Company”) presents this statement, to provide all stakeholders, with an overview of the Corporate Governance (“CG”) practices (“Practices”) of the Company for the financial year ended 31 December 2021 (“FY 2021”). This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance revised on 28 April 2021 (“MCCG”).

COMMITMENT FROM THE BOARD

The Board recognises the importance of maintaining a high standard of CG practices within Salcon and its subsidiaries (“Group”). Good CG practice is essential to sustain the Group in the long-run, and the Board sees that as an integral part of the Group’s business strategy. By setting up a correct governance framework and parameters, the Board believes that a culture of integrity, transparency and accountability will automatically flow-throughout the Group. Besides, sound CG practices are primary to the smooth, effective and transparent operations of the Company; enabling the Company to attract investments, protect and enhance shareholders’ value.

The Board will continuously review and evaluate the Group’s CG practices and procedures, with a view to adopt and implement the best practices.

COMPLIANCE WITH MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the FY 2021 except for the following:

- Practice 5.3 (To provide justification and seek annual shareholders’ approval through a two-tier voting process for the purpose of retaining the independent non-executive who serves for a cumulative term of more than nine (9) years which is applied to general meeting held after 1 January 2022)
- Practice 5.9 (The Board comprises at least 30% women directors)
- Practice 5.10 (The Board disclosure in its annual report the company’s policy on gender diversity for the board and senior management)
- Practice 8.2 (The Board discloses on a named basis the top five (5) senior management’s remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM 50,000)
- Practice 9.2 (The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee)

The Corporate Governance Report provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the FY 2021.



The report is available at https://salcon.listedcompany.com/misc/aggm/CG_Report_2020.pdf

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The primary role of the Board is to protect and enhance shareholders’ value. It sets the overall strategy for the Group and supervises the execution by the Management.

In order to create and promote clear understanding of the functions of the Board and Management; a Board Charter, which clearly sets out these functions, has been developed.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, which reviews and make recommendations to the Board on specific areas. There are currently five (5) Board Committees appointed by the Board, namely:



The roles and responsibilities of the Board and Management are adequately established and communicated to ensure accountability. Management is responsible for the day-to-day operations of the Group’s activities and for achieving corporate objectives and goals, set by the Board.

Although specific powers had been delegated to the Board Committees, the Board keeps itself abreast with relevant key issues and decisions via presentations of Board Committee’s reports and minutes of meetings.

Additionally, the responsibilities of the Executive Directors (“EDs”) are also set out in the Board Charter. The Board will periodically review the Board Charter and Terms of References (“TORs”) for the respective Board Committees and make necessary amendments to

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ensure consistency with the Board objectives, and relevant rules and regulations of the various authorities.

The latest review of the Board Charter was conducted in November 2021 and the updated Board Charter and TORs for the respective Board Committees are available on the Company's website at www.salcon.com.my.

There is a clear division of responsibilities to ensure balance of authority and power, as the roles of the Chairman and the EDs are distinct and separate. The Chairman of the Board, Tan Sri Abdul Rashid bin Abdul Manaf, is an Independent Non-Executive Director ("INED") who leads the Board with dedication and focuses on the compliance and good corporate governance practices. The duties and responsibilities of the Board, Chairman and EDs are clearly established and set out in the Board Charter.

The Chairman of the Board is not a member of the AC, NC, RC, SC and RMC. Thus, there is a clear and distinct division of responsibilities between the Chairman of the Board and the Committees to ensure there is an appropriate balance of power, division of roles, responsibility and accountability as well as objective review by the Board while deliberating on the observations and recommendations tabled by the Board Committees. Additionally, the Chairman of the Board also ensures that the Board Committees' meetings are conducted separately from the main Board's meetings to enable objective and independent discussion during the meetings.

The Board is supported by two (2) suitably qualified and competent Company Secretaries. All members of the Board have access to the advice and services of the Company Secretaries on all secretarial matters relating to the Group, to assist them in exercising their duties. The Board is satisfied with the performances and supports rendered by the Company Secretaries, in assisting the Board, in the discharge of their duties. The Board is regularly updated and kept informed of the requirements issued by regulatory authorities, including the latest developments in the legislations and regulatory framework affecting the Group.

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") throughout the Group since 2010. The COEC applies to all employees including Directors, and adheres to a high ethical standard of integrity, objectivity, confidentiality and competency; while complying with all applicable laws and regulations that govern the Group's businesses and activities. The COEC emphasises ethical conduct in all aspects of the Groups' activities including conflicts of interests, privacy and confidentiality of information. The COEC also sets out prohibited activities or misconducts; such as acceptance of gifts, corruptions, dishonest behaviour, sexual harassment, etc.



The COEC is available on the Company's website, [https://salcon.listedcompany.com/misc/COEC\(revised_Dec_2019\).pdf](https://salcon.listedcompany.com/misc/COEC(revised_Dec_2019).pdf)

In order to support the principle of zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders and to comply with Section 17A of Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Anti-Corruption Policy ("ABAC") has been adopted and implemented by the Group in 2020. This is to ensure the Group has in place adequate procedure to prevent and detect bribery and corruption.

The ABAC applies to all employees of the Group including directors and officers, any third party who performs services for or on behalf of the Group and joint-venture entities of Salcon.



The ABAC is available on the Company's website, <https://www.salcon.com.my/investor-relations/corporate-governance.html>

A whistle-blowing reporting procedure, which encourages transparency and accountability within the Group, is also in place.

The Whistle-blowing Policy ("WBP") established in 2012, provides an avenue for all employees, vendors, contractors, suppliers, consultants, customers and stakeholders to raise their concerns about any improper conduct within the Group, without fear of retaliation and to offer protection for the individual who report such allegations. Any employee or stakeholder, who is aware that any improper conduct has been, is being, or is likely to be committed; is encouraged to report directly to the AC Chairman, via email to chansf8@yahoo.com.



The WBP is available on the Company's website, https://salcon.listedcompany.com/misc/Whistle_Blowing_Policy.pdf

For FY 2021, the Company did not receive any report or complaint of misconduct and corruption from employees, management, public or stakeholders.

The Company is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment by integrating economic, environmental and social considerations into corporate value creation strategies and performance.

Corporate Governance Overview Statement

SALCON BERHAD [200201026133 (593796-T)]

The Board recognised the importance of managing and nurturing a sustainable and profitable business will contribute positively to the communities and sustains the environment. The Board, assisted by the SC and Sustainability Working Group (“SWG”); drive the integration of sustainability strategy into Salcon’s business plans, monitor, review and evaluate sustainability performance, oversee the sustainability risks and opportunities from business activities and ensure implementation of appropriate policies, procedures and controls, in order to create sustainable value over the long-term to the shareholders.

Details of the sustainability management framework, material sustainability issues and activities carried out, are set out in the Sustainability Statement on pages 44 to 77 of this Annual Report.

BOARD COMPOSITION

During the financial year under review, the Board comprises four (4) Independent Directors and three (3) Non-Independent Directors. Thus, the Board’s composition has complied with the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) for Independent Non-Executive Directors to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCGG Practice 5.2; whereby at least half of the Board’s composition comprises Independent Directors.

The Company’s Constitution provides that one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at the conclusion of the Annual General Meeting (“AGM”) in every year provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

For the forthcoming AGM, Tan Sri Abdul Rashid bin Abdul Manaf and Dato’ Rosli bin Mohamed Nor will retire pursuant to Clause 76(3) of the Company’s Constitution, and being eligible, offer themselves for re-election.

NOMINATION

The selection and appointment of a new member of the Board and Board Committees are made only with the recommendations from the NC.

In evaluating potential candidates for the appointment to the Board, the NC will identify the set of the criteria of the candidates, based on their characters, experiences, skills, competencies, knowledge, gender, age, potential contribution and time commitment.

During the FY 2021, the NC had assessed the performance and contribution of the directors who subject for re-election in the 18th AGM i.e. Dato’ Leong Kok Wah and Mr Chan Seng Fatt and was satisfied with their performance before making recommendation to the Board for consideration.

The Board is satisfied with the Board’s composition, as the Directors are professionals in the fields of construction and engineering, finance and accounting, banking, legal, insurance, hotel management, science economic and property investment.

The Board has through the NC assessed the training needs of each director on an annual basis and recommended the relevant trainings to each Director for their participation. The NC is satisfied that the Directors have attended trainings to enable them to discharge their duties. Details of trainings attended by the Directors for the FY 2021 are set out under “Additional Compliance Information” under page 99 of this Annual Report.

A formal evaluation, in the form of self and peer evaluation, are conducted each year by the NC, to assess the effectiveness of the Board, its committees and individual Directors. The NC had on 24 February 2022 conducted the Board and/or Board Committees performance evaluations for 2021, with the assistance from the internal secretarial team. The areas being reviewed including Board composition and skill matrix of respective Directors, Board’s responsibilities, independence of the Independent Directors, integrity in dealing with potential conflict of interest situation; and performances of the Company’s Senior Management. Subsequent to the reviews/evaluations, the outcome was summarised and recommended to the Board for review and notation.

Based on the results/outcome of assessment, the Board is satisfied with the performances of the Board, Board Committees, individual Directors and Senior Management; including the level of independence of all INEDs and their abilities to act in the best interests of the Company, during deliberations at the Board and Board Committee meetings.

REMUNERATION

The Board via the RC, establishes and implements the Remuneration Policy for Directors and Senior Management. The RC is responsible to review the policy from time to time; to ascertain that the policy remains competitive and is in alignment or parallel with market practices. Thus, the Company will be able to attract, retain and motivate the Directors and Senior Management.

Detailed information on the Directors’ remuneration packages for FY 2021 on a named basis, are disclosed under “Additional Compliance Information” under page 99 of this Annual Report.

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The Company has, for FY 2021, departed from Practice 8.2 of the MCGG which requires disclosures of the remuneration of the top five Senior Management personnel on a named basis in bands of RM50,000 as the Board is of the view that such information, if disclosed, raises personal security concerns on the part of the Senior Management personnel and could result in employee poaching by competitors. The alternative form of disclosures is set out in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The AC takes on the role of assisting the Board in discharging its fiduciary duties, the responsibility of overseeing the financial reporting process and ensuring that the results are fairly presented in the financial statements.

The AC has complied with Paragraph 15.09 and Paragraph 15.10 of the Listing Requirements. Besides, the Board also adopted Practice 9.1 of the MCGG which requires that the positions of AC Chairman and the Board's Chairman to be held by two different individuals.

The Audit Committee Report details its composition, Internal Audit functions and activities carried out in FY 2021, are set out on page 93 of this Annual Report.

The effectiveness, performance and independence of the External Auditor ("EA") i.e. Messrs. KPMG PLT ("KPMG"), is reviewed annually by the AC. KPMG has provided their written assurance and confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement for the FY 2021.

The AC had on 23 February 2021, reviewed the suitability and independence of KPMG, and is satisfied with the performances and independence of KPMG. Thus, the AC has recommended to the Board to table the re-appointment of KPMG, as EA for the following financial year at the 18th AGM for shareholders' approval. During the financial year, KPMG had attended two (2) out of five (5) AC meetings; to discuss their audit plan, findings and financial statements. KPMG further highlighted applicable matters that required the AC's attention, inclusive of remedial actions to be undertaken within an appropriate time frame.

During the FY 2021, the EA met the AC twice without the presence of the Executive Directors and employees, to provide objective feedback on any issues of concern and pertinent matters.

The AC has considered the provision of non-audit services by the EA and concluded that these services did not compromise with their independence and objectivity; as the amount of the non-audit fees paid as compared to the total audit fees, were insignificant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the FY 2021 was RM614,000 and RM35,000 respectively.

The AC has further reviewed applicable related party transactions within the Group in order to ascertain those transactions were at arms-length, not detrimental to the interest of the minority shareholders and were in the best interests to the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to establish a sound system of internal control and risk management framework. The Board, as assisted by the RMC and Risk Management Working Group ("RMWG"); identified and evaluated applicable potential risks, determined the Group's level of risk tolerance and applicable actions to mitigate the identified risks, in order to safeguard the Group's shareholders' investments and assets.

The established framework details processes, procedures and controls for financial, operation, compliances and risk management; in achieving the business objectives.

Details of the risk management framework, internal control system and activities carried out, are set out in the Statement of Risk Management & Internal Control ("SORMIC") on page 95 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS

COMMUNICATION WITH STAKEHOLDERS

The Company values the importance of timely and accurate communication with shareholders and stakeholders. Hence, the Board reviews and approves all important announcements prior to public release inclusive of annual and quarterly reports; via Bursa Link or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). The Company had set up an alternate channel via Facebook to reach out to a broader range of public, shareholders and interested parties.

CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue with shareholders, while providing an opportunity to enquire and seek clarification on the operations and financial performance of the Group with the Board members.

Corporate Governance Overview Statement

SALCON BERHAD [200201026133 (593796-T)]

In view of the COVID-19 pandemic and with the safety of the Company's shareholders, employees and directors being of primary concern, the Company having considered all available options decided to conduct the 18th AGM and Extraordinary General Meeting ("EGM") on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities without physical attendance by shareholders. The RPV facilities allowed shareholders to view a live webcast of the meeting, ask questions and submit votes in real time.

Detailed instructions and procedures on the RPV facilities are provided to the shareholders on the administrative guides of the 18th AGM and EGM.

The Chairman of the Board encouraged shareholders to raise questions during the 18th AGM and EGM, before putting the resolutions to vote. Additionally, the Company had also allowed the shareholders to submit their enquiries or questions to the Company prior to the 18th AGM and EGM respectively. All Directors, along with the Senior Management, Company Secretary and EA were present to respond to the shareholders' queries, where applicable and necessary.

Further, in line with good corporate governance practices, at least twenty-eight (28) days' notice has been given to the shareholders prior to the AGM and the minutes of the general meeting together with the key matters discussed are published and available on the Company's website, www.salcon.com.my.

This Corporate Governance Overview Statement was approved by the Board on 27 February 2022.

Audit Committee Report

ANNUAL REPORT 2021

The Audit Committee (“AC”) presents its report that provides insights into the manner in which the AC discharges its duties for the Group in year 2021.

COMPOSITION AND ATTENDANCE

The AC comprises three (3) members, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This composition meets the requirements as stated in Paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The AC members and their attendance at meetings during the year are indicated as below: -

Name	Designation	Attendance
1 Chan Seng Fatt (Chairman)	Senior Independent Non-Executive Director	5/5
2 Dato’ Rosli bin Mohamed Nor	Independent Non- Executive Director	5/5
3 Datin Goh Phaik Lynn	Non-Independent Non- Executive Director	5/5

The AC Chairman, Mr. Chan Seng Fatt, is a Chartered Accountant of the Malaysian Institute of Accountant. Thus, the Company has complied with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

The Board of Directors (“BOD”) via the Nomination Committee, reviews the composition of the AC, assesses the members’ performances and effectiveness of the AC via annual evaluation. The BOD is satisfied that the AC members had discharged their duties and responsibilities in accordance with the AC’s Terms of Reference (“TOR”) and the AC has supported the BOD in ensuring the Company upholds appropriate Corporate Governance (“CG”) standards.



The TOR of AC is available for reference at the Company’s website, https://salcon.listedcompany.com/misc/Terms_of_Reference_for_Audit_Committee.pdf

MEETINGS

The AC held five (5) meetings during the financial year ended 31 December 2021 (“FY 2021”). Senior Management, Head of Internal Audit and the External Auditors (“EA”) were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group’s activities, as and when necessary.

The meetings were appropriately structured through agendas. The meeting’s materials were distributed in advance to members, at least five (5) business days prior to the meetings.

One of the AC’s responsibilities are to ensure the reliability of the Company’s annual/quarterly financial results and the Company’s compliances with Malaysian Financial Reporting Standards (“MFRS”). Management will conduct a briefing/presentation of the annual/quarterly financial statements to the AC for deliberation, and subsequent recommendation to the BOD, for approval.

During the AC meeting held in February 2021, the EA confirmed that they were provided unfettered access to information and enjoyed full co-operation from the Management throughout the course of their audits. The EA were also invited to raise any matters that they considered important, for the AC’s attention. The AC had met the EA twice, without the presence of the Company’s Executive Directors and employees. During these two (2) meetings, the AC enquired about the Company Management’s co-operation with the EA, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

Minutes of each AC meeting were recorded and tabled for confirmation during the next AC meeting, and subsequently the same will be presented to the BOD for notation.

SUMMARY OF ACTIVITIES OF AC

The AC’s activities during FY 2021 comprised the following:

- On 23 February 2021, the AC reviewed and recommended to the Board the payment of final dividend for the FY 2020. The AC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed on the re-appointment. The AC, being satisfied with performance of the EA; recommended to the BOD, the re-appointment of Messrs KPMG PLT, as EA for FY 2021. The AC also reviewed adequacy of the scope, functions, competency and resources of the internal audit function.

On 8 April 2021, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2020, and subsequently recommended them to the BOD for approval.

- On 16 November 2021, the AC reviewed the Annual Audit Plan for the FY 2021 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc on the financial statements. The recurring non-audit services, covers annual review of the Statement on Risk Management and Internal Control (“SORMIC”). The AC having considered the nature and scope of non-audit

Audit Committee Report

SALCON BERHAD [200201026133 (593796-T)]

works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- On Financial Reporting, the AC reviewed the quarterly financial statements during the AC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2020 was conducted on 23 February 2021; and the reviews of the quarterly results of first, second and third quarters for FY 2021, were conducted on 27 May 2021, 19 August 2021 and 16 November 2021 respectively.
- The AC reviewed and discussed the Internal Audit (“IA”) reports during the meetings, as and when tabled by the Internal Audit & Risk Management Department (“IARMD”).
- The AC had reviewed the related party transactions/ recurrent related party transactions within the Group and provided opinion on whether they are in the best interest of the Group, fair and reasonable and not detrimental to the interest of the minority shareholders of the Company and recommended the transactions to the BOD for consideration and approval.
- The AC also reviewed AC Report, Corporate Governance Overview Statement, Corporate Governance Report and SORMIC for inclusion into the Annual Report 2021.

INTERNAL AUDIT FUNCTION

The Group’s internal audit function is performed in-house by the IARMD, which reports directly to the AC. All internal audit activities for FY 2021 were conducted by IARMD.

No areas of the internal audit function were outsourced. The total cost incurred by the Group’s internal audit function for the year under review was approximately RM614,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 11.2.

During the financial year under review, the internal audit activities include, inter alia, the following: -

- IARMD conducted audit review activities as per the 2021 Audit Plan which was approved by the AC on 23 February 2021.

- IARMD presented applicable IA reports as per the activities conducted, during the scheduled AC meetings, using the following contents: -

- The executive summaries of the audit findings indicating the status and progress;
- Audit findings, Management responses to IARMD’s findings and corrective recommendations;
- Follow up on previous years’ issues and status of remedial actions taken;
- Reporting to the AC on any material issue/misstatement or major deficiency noted, that posed a high risk to the overall internal control system of the Group.

- The scope of audit engagements in FY 2021 covered the following: -

- Compliance to law and regulation;
- Compliance with FTSE4Good Bursa Malaysia Index requirements;
- Reliability of financial information;
- Safeguarding of assets;
- Attainment of objectives; and
- Efficiency and economy implication

Statement of Risk Management and Internal Control

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The Board of Directors of Salcon Berhad (“Salcon” or “the Company”) is committed to maintain a sound and effective internal control and risk management system. Each project and department of the Company and its subsidiaries (“the Group”) has implemented its own control processes under the leadership of the Executive Members of the Board together with the key Management, who are responsible for good business and regulatory governance. This statement outlines the nature and scope of the Group’s internal control and risk management in 2021.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility for the Group’s internal control and risk management system and reviews its effectiveness, adequacy and robustness. The internal control system covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters.

The Board is aware that this system is designed to manage and mitigate, rather than eliminate, the risks of not adhering to the Group’s policies, procedures and preventing in achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system is to provide reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2021, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (“AC”) based on the internal audits conducted by the in-house Internal Audit and Risk Management Department (“IARMD”) during the year. Audit reports comprised of audit findings, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the AC meetings with Minutes duly recorded.

The Risk Management Committee (“RMC”) has been established since year 2006 with the purpose of providing risk oversight and ascertaining implementation of the Group’s businesses and operations. The Group’s Risk Management Framework is outlined in its Integrated Risk Management Policy and Procedures (“IRMPP”). The IRMPP has been revised and approved for general conformity to ISO31000 standard.

Internal controls and risk-related matters which require the Board’s attention, were highlighted in the audit report and tabulated in the meetings for discussion, actions and approval.

INTERNAL AUDIT FUNCTION

The Company complies with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) by setting-up an in-house IARMD. IARMD functionally

reports to AC/RMC and administratively to Executive Director, providing feedback in managing the key risks and ascertaining the adequacy and integrity of the Group’s internal control and risk management system.

The Internal Audit Function reviews key activities of the Group based on an annual audit plan approved by the AC. The plan as prepared by the IARMD, is based on the Company’s Corporate Key Risk Register which is inclusive of existing projects of the operating entities, subsidiaries and departments within the Group.

The AC reviews all internal audit reports and the scope of works to be carried out to ensure that the necessary level of assurance; with respect to the adequacy of internal controls and the management of key risks as required by the Board, is achieved. Follow-up reviews on previous audit issues are also carried out to ascertain that appropriate actions are taken to address internal control weaknesses.

Subsequent to the reviews, the AC shall highlight the pertinent findings to the Board for necessary actions, on a quarterly basis or as appropriate.

CONTROL PROCESSES AND RISKS

The Group’s internal control system comprises the following key processes:

1. International Organisation for Standardisation (“ISO”) certifications:
 - Salcon Engineering Berhad (“SEB”), a wholly owned subsidiary of Salcon Berhad, is certified to ISO9001:2015 - Quality Management System (“QMS”), ISO14001:2015 - Environmental Management System (“EMS”) and ISO45001:2018 - Occupational Health and Safety Management System (“OHSMS”) at both the corporate office and at project levels.
 - As required by legislation, the Company has also established Safety and Health Committee to assist in the implementation of applicable inspections and reviews of OHSMS while emphasising the Group’s commitment to ensure and maintain a safe working environment.
 - Under ISO 9001, ISO14001 and ISO45001 requirements, internal quality audits are conducted annually by Quality, Safety, Health and Environment (“QSHE”) department to check, measure, analyze, review and improve on the performances of SEB’s certifications; on both the corporate office and applicable projects.

Statement of Risk Management and Internal Control

SALCON BERHAD [200201026133 (593796-T)]

2. Authority and Responsibilities

- The Board delegates certain duties and responsibilities to various Board Committees through the clearly defined Terms of Reference (“TOR”).



The TORs are reviewed as and when necessary and are available at the Company's website, <https://www.salcon.com.my/investor-relations/corporate-governance.html>

- The authority limit and signatory document is reviewed periodically to reflect the authority and authorisation limit of the Management in all aspects of the Group's major business operations and regulatory functions.

3. Monitoring and Reporting

- Board and Board Committee meetings are scheduled to update the Group's performance regularly. The Group's business plan, execution and financial performance are reviewed and discussed by the Board on quarterly basis. The Minutes of Meeting are duly recorded.

4. Policies and Procedures

- The Group has set up and documented internal policies, standards and procedures to ensure compliances of internal controls and relevant laws and regulations. Common Group policies such as ISO and Human Resource Policies Procedures (“HRPP”) are available on the Company's intranet for easy access and reference by employees.

5. Audit

- IARMD evaluates compliance of policies and procedures through internal audit reviews. IARMD discharged its responsibilities with the guidance of terms and principles as stated in the Audit Charter and reports its findings to the AC via internal audit reports. Internal audit reports will include audit findings, areas for improvement, audit recommendations, management replies and action plans.
- The surveillance and re-certification audits for ISO9001:2015, ISO14001:2015 and ISO45001:2018 are conducted by Bureau Veritas.
- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2021. Nature of non-audit services provided is available within the Corporate Governance Overview Statement in this Annual Report.

6. Risk Management

- The Group has implemented an Enterprise Risk Management (“ERM”) framework to manage all relevant risks that can affect the Company's business and operations. The ERM framework is supported by a risk governance structure; comprising of the RMC, the Risk Management Working Group (“RMWG”) and IARMD. The governance structure is tasked with the responsibilities and accountabilities for monitoring risk management.
- The RMC is established to provide oversight and assurance concerning the Group's risk profile to the Board.
- The RMWG is established to assist the Board and the RMC to facilitate/update at business units' level on the identification and communication of present or potential critical risks identified. The RMWG are represented by Heads of subsidiaries, divisions and departments.
- The IARMD reports directly to the AC/RMC while providing an independent assessment, and reasonable assurances of the effectiveness, adequacy and reliability; of the Group's risk management processes and internal control system.
- There are established processes and procedures, which are detailed within the IRMPP for risks identifications, assessments, communication and monitoring. IARMD continues to review the risks and the effectiveness of risk mitigation strategies and controls at the corporate, divisional and projects levels including material joint ventures and associates.
- The Group has been using professional specialised software since 2006, to facilitate the monitoring functions and enhance the reporting and presentation structure and processes. Additionally, risk tolerances are presented via the use of a risk impact and likelihood matrix with reference to established tolerance boundaries so that risks deemed high or low, can be distinguished. IARMD would tabulate, report and brief the RMC on the performances of the risk management system at least once a year.

7. Performance Measurement

- Annual employees' performance appraisals are conducted to review the contributions or achievement by employees. The Company would reward the employees based on the result of the appraisals.

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- QSHE department conducts customer satisfaction survey on yearly basis in order to improve for future effectiveness and efficiency.
- Procurement department conducts performance evaluation on suppliers / sub-contractors on their product delivered or services rendered. Qualified suppliers / sub-contractors will be maintained in approved vendor / suppliers list for future work award.

8. Staff Competency

- HRPP contain recruitment, retrenchment and termination guidelines. Training and development programs are encouraged by the Company to ensure staffs are kept up-to-date with the necessary competencies to carry out their duties towards achieving the Group's objectives.

9. Conduct of Staffs

- A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.
- Salcon has an Insider Trading Policy ("ITP") to provide guidance and ascertain material non-public information is not misused.
- Salcon has a Whistle-blowing Policy ("WP") to provide a platform for staffs or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Groups policies, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Company. The AC has the overall responsibility in overseeing the implementation of the WP for the Group. The WP is available at the Company's website.

During 2021, the Company did not receive any report or incidences from whistle blowers on any possible or potential misconduct from employees, management, public or stakeholders.

- Salcon has an Anti-Bribery and Corruption Policy to provide information and guidance to those working for or with Salcon on how to recognise and deal with potential bribery and corruption issues as well as understanding their roles and responsibilities.

During 2021, the Company did not receive any report or incidences from whistle blowers on any possible or potential bribery or corruption from employees, management or business associates.

- Segregation of duties is practiced to avoid conflict of interests and to reduce the scope for error and fraud.

10. Insurance

- Insurance coverage and safeguarding on assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. Annual renewal policy is undertaken by Management to review the coverage based on the current fixed asset register and the respective net book values. The Company seeks professional advice to assist by conducting a risk assessment on the adequacy of the intended coverage.
- The Company purchases Workman Compensation and Contractors All Risk insurance for each project. The sum insured is in accordance with the requirement stated in the Letter of Award of each project.

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide ("RPG") 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- is factually inaccurate.

Statement of Risk Management and Internal Control

SALCON BERHAD [200201026133 (593796-T)]

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the Executive Director and Chief Financial Officer that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by AC to the Board for approval on 7 April 2022.

Additional Compliance Information

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1. ATTENDANCE / MEETING RECORDS OF DIRECTORS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("FY 2021")

No	Name	Designation	Number of Meetings Attended During FY 2021				
			BOD	AC	NC	RC	RMC
1	Tan Sri Abdul Rashid bin Abdul Manaf	Independent Non-Executive Director/Chairman	5/5	N/A	N/A	N/A	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	5/5	N/A	N/A	N/A	1/1
4	Dato' Choong Moh Kheng	Independent Non-Executive Director	5/5	N/A	1/1	1/1	N/A
5	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5	5/5	1/1	1/1	N/A
6	Chan Seng Fatt	Senior Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
7	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	5/5	N/A	N/A	N/A

Note:

BOD - Board of Directors RC - Remuneration Committee
AC - Audit Committee RMC - Risk Management Committee
NC - Nomination Committee

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FY 2021

Name	Training	Date
Tan Sri Abdul Rashid bin Abdul Manaf	Delivering Business Resilience in Transformative Times – Setting an Efficient Growth Framework	16-Mar-21
	Rethinking Corporate Risk to Manage Market Uncertainty – Ethics, Regulatory Compliance and Control Environment	17-Mar-21
	Sustainable Finance: Making Better Financial Decision	9-Apr-21
	Integrated Reporting	18-Aug-21
Tan Sri Dato' Tee Tiam Lee	Integrated Reporting	18-Aug-21
Dato' Leong Kok Wah	Integrated Reporting	18-Aug-21
	Enterprise Risk Management – Actualising its Effectiveness	7-Sep-21
Dato' Choong Moh Kheng	Integrated Reporting	18-Aug-21
Dato' Rosli Bin Mohamed Nor	Integrated Reporting	18-Aug-21
Mr Chan Seng Fatt	Asia Tech X Singapore, Redefining Tech for a Better Future	14-Mar-21 to 16-Mar-21
	Private Briefing on Digital Banking	4-Oct-21
	ICDM Board & Directors Effectiveness Evaluation	4-Oct-21
Datin Goh Phaik Lynn	Integrated Reporting	18-Aug-21

Additional Compliance Information

SALCON BERHAD [200201026133 (593796-T)]

THE DIRECTORS' REMUNERATION PACKAGES FOR THE COMPANY AND THE GROUP FOR FY 2021

	@	#	#	@	@	@	@
Directors' remuneration	Tan Sri Abdul Rashid bin Abdul Manaf	Tan Sri Dato' Tee Tiam Lee	Dato' Leong Kok Wah	Dato' Choong Moh Kheng	Dato' Rosli bin Mohamed Nor	Chan Seng Fatt	Datin Goh Phaik Lynn
	RM	RM	RM	RM	RM	RM	RM
Salary	-	953,880.00	749,484.00	-	-	-	-
Bonus	-	39,745.00	31,229.00	-	-	-	-
Fees	100,000.00	-	-	70,000.00	70,000.00	70,000.00	70,000.00
Meeting allowances	5,000.00	-	-	3,500.00	6,000.00	6,500.00	5,000.00
Benefits-In-Kind	-	31,254.32	28,084.45	-	-	-	-
Statutory Contribution	-	119,238.00	93,688.00	-	-	-	-
	105,000.00	1,144,117.32	902,485.45	73,500.00	76,000.00	76,500.00	75,000.00

@ - Received from the Company

- Received from the Group

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interests of Directors and major shareholders for FY 2021.

AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for FY 2021 are as follows:

	Company (RM)	Group (RM)
Audit Fees	193,000	614,000
Non-Audit Fees	35,000	35,000
Total Fees	228,000	649,000

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for FY 2021, the Group has:

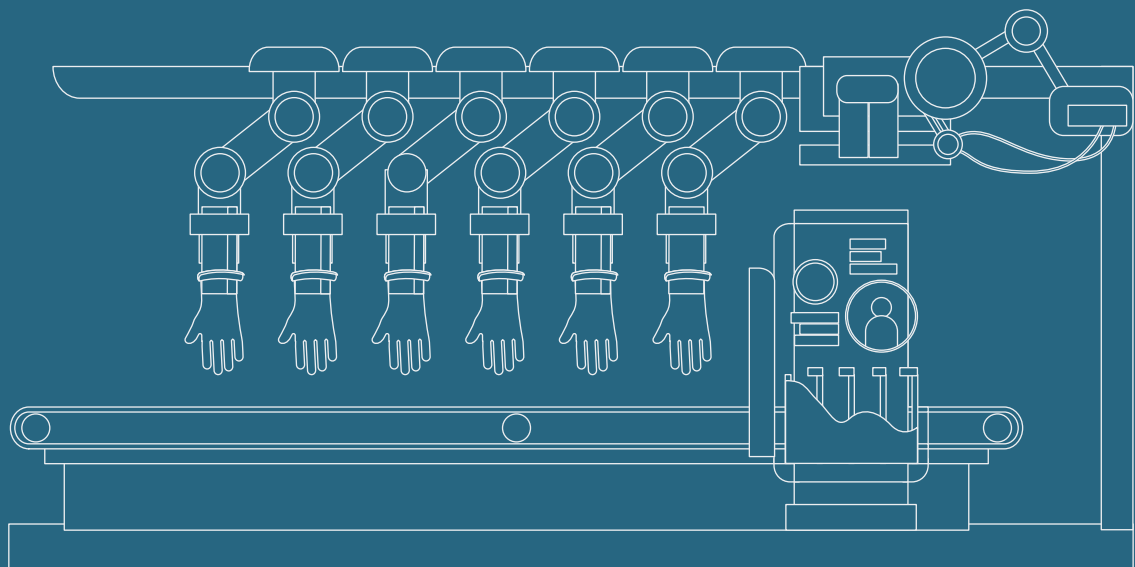
- ensured compliance with applicable accounting standards enforced in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act 2016. In addition, the Board is responsible for the proper safeguarding of the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements

Overview of the information about the results of business operations, financial position and statement of cash flows.

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Directors' Report

for the year ended 31 December 2021

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The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the year attributable to:		
Owners of the Company	11,969	(5,753)
Non-controlling interests	4,807	-
	16,776	(5,753)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company and recommended by the Directors were as follows:

- i) In respect of the financial year ended 31 December 2020 as reported in the Directors' Report of that year:
 - A first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company. The total number of treasury shares distributed was 21,921,681 shares or equivalent to RM3,742,000.

The dividend was fully credited into the depositors' securities accounts of the entitled shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 12 July 2021.
- ii) In respect of the financial year ended 31 December 2021:
 - A final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2021 was recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Directors' Report

for the year ended 31 December 2021

SALCON BERHAD [200201026133 (593796-T)]

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Abdul Rashid bin Abdul Manaf
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor
Chan Seng Fatt
Datin Goh Phaik Lynn

DIRECTORS OF THE SUBSIDIARIES

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Jamiluddin Amini Bin Sulaiman
Law Woo Hock (resigned on 20 August 2021)
Lee Thim Loy
Low Ah Chye @ Low Beng Peow
Vergis Mathews a/l V V Mathew
Thomas Alexander Sjøberg (resigned on 30 June 2021)
Liew Swee Choong (resigned on 31 December 2021)
Tan Peng Kok
Png Chiew Chuan
Tan Ban Seng
Dato' Ding Pei Chai
Soh Yoke Yan
See Che Chi
Dato' Mohamad Taufik Bin Haji Omar
Sam Minh Tri
Leong Yi Shen
Tee Xun Hao
Wong Fuk Aen
Pung Wei Gin (alternate Director of Wong Fuk Aen)
Peh Ju Chai
Yoong Li Yen (alternate Director of Peh Ju Chai)
Dato' Lee Chung Wah @ Lee Chung Fu
Wong Shek
Ganesan A/L Subramaniam
Hamen A/L Ganesan

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DIRECTORS' INTERESTS

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			At 31.12.2021
	At 1.1.2021	Bought*	Sold	
The Company				
<u>Direct interest</u>				
Tan Sri Dato' Tee Tiam Lee	54,512,601	1,211,391	-	55,723,992
Dato' Leong Kok Wah	5,083,234	112,960	-	5,196,194
Dato' Choong Moh Kheng	2,608,677	57,970	-	2,666,647
<u>Deemed interest</u>				
Tan Sri Dato' Tee Tiam Lee ⁽¹⁾	63,937,247	1,420,826	-	65,358,073
Dato' Leong Kok Wah ⁽²⁾	94,618,185	2,102,625	-	96,720,810
Dato' Choong Moh Kheng ⁽³⁾	8,900,000	197,777	-	9,097,777
Datin Goh Phaik Lynn ⁽⁴⁾	99,701,419	2,215,585	-	101,917,004

* Receipt of ordinary shares pursuant to the distribution of share dividends.

- ⁽¹⁾ (i) Deemed interested through the shares held by child (Tee Xun Hao) pursuant to Section 59(11)(c) of the Companies Act 2016.
(ii) Deemed interested through shares held in Infra Tropika Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- ⁽²⁾ (i) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- ⁽³⁾ Deemed interested through shareholding in Pembinaan Punca Cergas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- ⁽⁴⁾ (i) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.

None of the other Directors holding office at 31 December 2021 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report

for the year ended 31 December 2021

SALCON BERHAD [200201026133 (593796-T)]

DIRECTORS' INTERESTS (CONTINUED)

Particulars of the Directors' interest in the warrants during the financial year are as follows:

	Number of Warrants 2018/2025			At 31.12.2021
	At 1.1.2021	Acquired	Exercised/ Disposed	
The Company				
<u>Direct interest</u>				
Tan Sri Dato' Tee Tiam Lee	20,375,600	-	-	20,375,600
Dato' Leong Kok Wah	1,900,000	-	-	1,900,000
<u>Deemed interest</u>				
Tan Sri Dato' Tee Tiam Lee ⁽¹⁾	23,898,323	-	-	23,898,323
Dato' Leong Kok Wah ⁽²⁾	35,366,176	-	-	35,366,176
Dato' Choong Moh Kheng ⁽³⁾	2,500,000	-	-	2,500,000
Datin Goh Phaik Lynn ⁽⁴⁾	37,266,176	-	-	37,266,176

- (1) (i) Deemed interested through the warrants held by child (Tee Xun Hao) pursuant to Section 59(11)(c) of the Companies Act 2016.
(ii) Deemed interested through shares held in Infra Tropika Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (2) (i) Deemed interested through the warrants held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (3) Deemed interested through shareholding in Pembinaan Punca Cergas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
- (4) (i) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the warrants held by spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.

The main features of the Warrant are as follows:

- i) Each Warrant will entitle its Warrant Holders an option to subscribe for one (1) new ordinary share at the exercise price of RM0.30 per share at any time on or after 20 July 2018 to 19 July 2025, subject to adjustments in accordance with the provisions of the Deed Poll dated 29 June 2018 constituting the Warrant;
- ii) Any Warrant not exercised during the exercise period shall thereafter lapse and cease to be valid; and
- iii) The new ordinary shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the existing ordinary shares of the Company, save and except that the new ordinary shares will not be entitled to any dividends, rights, allotments, and/or other distribution that may be declared, made or paid for which the entitlement date of which precedes the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The outstanding warrants remain unexercised at the end of the financial year amounting to 336,566,643 (2020: 336,566,643).

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in Note 33 to the financial statements.

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DIRECTORS' BENEFITS (CONTINUED)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

The movements in the treasury shares are disclosed in Note 17.2 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity insurance coverage provided and the corresponding insurance premium effected for all Directors and other officers of the Company and its subsidiaries, joint ventures and associates are RM10,000,000 and RM15,600 respectively. There were no indemnity given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

Directors' Report

for the year ended 31 December 2021

SALCON BERHAD [200201026133 (593796-T)]

OTHER STATUTORY INFORMATION (CONTINUED)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 35 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Tee Tiam Lee

Director

Dato' Leong Kok Wah

Director

Kuala Lumpur

Date: 22 April 2022

Statements of Financial Position

at 31 December 2021

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	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Property, plant and equipment	3	53,971	17,891	-	-
Right-of-use assets	4	11,733	11,192	-	-
Intangible assets	5	43,803	23,740	-	-
Investment properties	6	10,547	9,924	-	-
Investments in subsidiaries	7	-	-	90,880	88,024
Investments in associates	8	16,963	17,341	-	249
Investments in joint ventures	9	41,490	29,415	23,500	23,500
Inventories	14	108,831	-	-	-
Other investments	10	4,901	8,932	4,901	8,932
Deferred tax assets	11	1,410	3,688	-	-
Trade and other receivables	12	9,859	12,130	294,433	271,094
Total non-current assets		303,508	134,253	413,714	391,799
Trade and other receivables	12	112,743	128,995	7,937	12,722
Contract assets	13	44,147	61,943	-	-
Contract costs	13	5,790	4,593	-	-
Inventories	14	12,961	110,096	-	-
Other investment	10	27,074	9,404	-	-
Current tax assets		2,777	2,524	186	-
Prepayments	12	29,012	851	13	-
Cash and cash equivalents	15	120,536	142,836	81,859	103,429
		355,040	461,242	89,995	116,151
Asset classified as held for sale	16	2,712	-	-	-
Total current assets		357,752	461,242	89,995	116,151
Total assets		661,260	595,495	503,709	507,950

Statements of Financial Position

at 31 December 2021 (continued)

SALCON BERHAD [200201026133 (593796-T)]

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Equity					
Share capital		458,276	458,276	458,276	458,276
Reserves		3,389	4,023	(3,744)	(3,349)
(Accumulated losses)/ Retained earnings		(6,831)	(16,785)	18,944	28,439
Total equity attributable to owners of the Company	17	454,834	445,514	473,476	483,366
Non-controlling interests		39,595	22,249	-	-
Total equity		494,429	467,763	473,476	483,366
Liabilities					
Trade and other payables	19	11,187	9,752	-	-
Loans and borrowings	18	9,410	5,057	-	-
Lease liabilities		677	1,507	-	-
Deferred tax liabilities	11	12,322	5,818	-	-
Total non-current liabilities		33,596	22,134	-	-
Trade and other payables	19	91,662	67,606	25,233	23,996
Contract liabilities	13	4,482	8,422	-	-
Loans and borrowings	18	30,022	27,008	5,000	-
Lease liabilities		1,967	1,311	-	-
Current tax liabilities		5,102	1,251	-	588
Total current liabilities		133,235	105,598	30,233	24,584
Total liabilities		166,831	127,732	30,233	24,584
Total equity and liabilities		661,260	595,495	503,709	507,950

The notes on pages 120 to 211 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

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	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing operations					
Revenue	20	286,893	194,148	164	58
Cost of sales		(228,770)	(179,645)	-	-
Gross profit		58,123	14,503	164	58
Other income		7,025	21,369	2,976	9,936
Distribution expenses		(873)	(1,108)	(19)	(20)
Administrative expenses		(39,899)	(36,435)	(9,896)	(7,878)
Other expenses		(6,353)	(2,407)	(3,948)	(825)
Net reversal of/(loss on) on impairment of financial instruments and contract assets		97	(2,911)	-	(319)
Results from operating activities		18,120	(6,989)	(10,723)	952
Finance income		911	2,142	5,021	4,805
Finance costs	22	(3,864)	(2,464)	(79)	(1)
Operating profit/(loss)		15,167	(7,311)	(5,781)	5,756
Share of profit/(loss) of equity-accounted associates/joint ventures, net of tax		12,311	(1,439)	-	-
Profit/(Loss) before tax		27,478	(8,750)	(5,781)	5,756
Tax expense	23	(8,577)	(995)	28	(947)
Profit/(Loss) from continuing operations		18,901	(9,745)	(5,753)	4,809
Discontinued operations					
(Loss)/Profit from discontinued operations, net of tax	24	(2,125)	1,688	-	-
Profit/(Loss) for the year	25	16,776	(8,057)	(5,753)	4,809

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021 (continued)

SALCON BERHAD [200201026133 (593796-T)]

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Other comprehensive (expense)/income, net of tax					
Item that is or maybe reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	26	(239)	6,154	-	-
Other comprehensive (expense)/income for the year, net of tax		(239)	6,154	-	-
Total comprehensive income/(expense) for the year		16,537	(1,903)	(5,753)	4,809
Profit/(loss) attributable to:					
Owners of the Company		11,969	(6,067)	(5,753)	4,809
Non-controlling interests		4,807	(1,990)	-	-
Profit/(loss) for the year		16,776	(8,057)	(5,753)	4,809
Total comprehensive income/(expense), attributable to:					
Owners of the Company		11,730	(686)	(5,753)	4,809
Non-controlling interests		4,807	(1,217)	-	-
Total comprehensive income/(expense) for the year		16,537	(1,903)	(5,753)	4,809
Basic earnings/(loss) per ordinary share (sen):	27				
from continuing operations		1.40	(0.88)		
from discontinued operations		(0.21)	0.18		
		1.19	(0.70)		
Diluted earnings/(loss) per ordinary share (sen):	27				
from continuing operations		1.40	(0.88)		
from discontinued operations		(0.21)	0.18		
		1.19	(0.70)		

The notes on pages 120 to 211 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2021

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Group	Note	Attributable to Owners of the Company		Distributable		Non-controlling interest RM'000	Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Retained earnings/ (Accumulated losses) RM'000		
At 1 January 2020		424,465	(4,400)	7,017	1,154	20,989	449,225
Foreign currency translation differences for foreign operations	26	-	-	5,381	-	773	6,154
Total other comprehensive income for the year		-	-	5,381	-	773	6,154
Loss for the year		-	-	-	(6,067)	(1,990)	(8,057)
Total comprehensive income/(expense) for the year		-	-	5,381	(6,067)	(1,217)	(1,903)
<i>Contributions by and distributions to owners of the Company</i>							
Issue of ordinary shares	17.1	33,811	-	-	-	-	33,811
Own shares acquired	17.2	-	(5,385)	-	-	-	(5,385)
Dividends to owners of the Company	28	-	6,436	-	(6,436)	-	-
Changes in ownership interest in subsidiaries	35	33,811	1,051	-	(6,436)	-	28,426
Disposal of interest in subsidiaries	24	-	-	(5,026)	(5,436)	4,477	(5,985)
Total transactions with owners of the Company		33,811	1,051	(5,026)	(11,872)	2,477	20,441
At 31 December 2020		458,276	(3,349)	7,372	(16,785)	22,249	467,763

Note 17.1 Note 17.2 Note 17.3

Statements of Changes in Equity

for the year ended 31 December 2021 (continued)

SALCON BERHAD [200201026133 (593796-T)]

Group	Note	Attributable to Owners of the Company		Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000	
		Share capital RM'000	Treasury shares RM'000					Translation reserve RM'000
At 1 January 2021		458,276	(3,349)	7,372	(16,785)	445,514	22,249	467,763
Foreign currency translation differences for foreign operations	26	-	-	(239)	-	(239)	-	(239)
Total other comprehensive expense for the year		-	-	(239)	-	(239)	-	(239)
Profit for the year		-	-	-	11,969	11,969	4,807	16,776
Total comprehensive income/(expense) for the year		-	-	(239)	11,969	11,730	4,807	16,537
<i>Contributions by and distributions to owners of the Company</i>								
Own shares acquired	17.2	-	(4,137)	-	-	(4,137)	-	(4,137)
Dividends to owners of the Company	28	-	3,742	-	(3,742)	-	-	-
Changes in ownership interest in subsidiaries		-	(395)	-	(3,742)	(4,137)	-	(4,137)
Dividends to non-controlling interests		-	-	-	1,727	1,727	(1,727)	-
Allotment of additional shares		-	-	-	-	-	(2,375)	(2,375)
Acquisition of subsidiaries		-	-	-	-	-	83	83
Total transactions with owners of the Company		-	(395)	-	(2,015)	(2,410)	12,539	10,129
At 31 December 2021		458,276	(3,744)	7,133	(6,831)	454,834	39,595	494,429

Note 17.1 Note 17.2 Note 17.3

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Company	Note	← Attributable to Owners of the Company →			Total equity RM'000
		Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	
At 1 January 2020		424,465	(4,400)	30,066	450,131
Profit and total comprehensive income for the year		-	-	4,809	4,809
<i>Contributions by and distributions to owners of the Company</i>					
Own shares acquired	17.2	-	(5,385)	-	(5,385)
Issue of ordinary shares		33,811	-	-	33,811
Dividends to owners of the Company	28	-	6,436	(6,436)	-
Total transactions with owners of the Company		33,811	1,051	(6,436)	28,426
At 31 December 2020/1 January 2021		458,276	(3,349)	28,439	483,366
Profit and total comprehensive income for the year		-	-	(5,753)	(5,753)
<i>Contributions by and distributions to owners of the Company</i>					
Own shares acquired	17.2	-	(4,137)	-	(4,137)
Dividends to owners of the Company	28	-	3,742	(3,742)	-
Total transactions with owners of the Company		-	(395)	(3,742)	(4,137)
At 31 December 2021		458,276	(3,744)	18,944	473,476
		Note 17.1	Note 17.2		

The notes on pages 120 to 211 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2021

SALCON BERHAD [200201026133 (593796-T)]

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Profit/(loss) before tax				
- continuing operations	27,478	(8,750)	(5,781)	5,756
- discontinued operations	(2,125)	1,688	-	-
	25,353	(7,062)	(5,781)	5,756
<i>Adjustments for:</i>				
Amortisation of intangible assets	1,354	697	-	-
Depreciation of property, plant and equipment	7,535	3,549	-	-
Depreciation of right-of-use assets	1,910	2,608	-	65
Dividend income	(164)	(858)	(164)	(58)
Finance costs	3,864	2,464	79	1
Finance income	(911)	(2,142)	(5,021)	(4,805)
Loss on disposal of equity-accounted associate	429	-	223	-
Loss/(Gain) on disposal of equity interest in subsidiaries	1,626	(1,431)	-	-
Loss on dilution of shareholdings in subsidiaries	-	-	-	265
Net fair value loss/(gain) on other investment	3,171	(1,677)	3,171	(1,677)
Impairment loss on investment in subsidiaries	-	-	-	180
Impairment loss on investment in associates	-	-	-	95
Impairment loss on property, plant and equipment	320	-	-	-
Impairment loss on goodwill	-	1,160	-	-
Net (reversal of)/impairment loss on trade receivables	(97)	185	-	-
Impairment loss on other receivables	-	2,726	-	-
Net impairment loss on amount due from subsidiaries	-	-	-	319
Loss/(Gain) on disposal of other investments	125	(2,431)	125	(2,431)
Fair value loss on investment property	176	-	-	-
Gain on disposal of asset held for sale	-	(922)	-	-
Gain on disposal of property, plant and equipment	(158)	(22)	-	-
Property, plant and equipment written off	284	997	-	-
Share of (profit)/loss of equity-accounted associates/joint ventures, net of tax	(12,241)	1,439	-	-
Unrealised foreign exchange differences	(1,547)	(1,545)	103	(1,013)

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	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities (continued)				
Other receivables written off	20	8	-	7
Waiver of amount due to subsidiaries	-	-	(908)	-
Operating loss before changes in working capital	31,049	(2,257)	(8,173)	(3,296)
Changes in trade and other receivables and prepayments	11,658	(25,303)	(18,567)	(3,021)
Changes in contract assets	17,796	5,384	-	-
Changes in contract costs	(1,197)	1,655	-	-
Changes in inventories	(52)	21,667	-	-
Changes in trade and other payables	(11,367)	(3,916)	2,145	(1,817)
Changes in contract liabilities	(3,940)	(585)	-	-
Cash generated from/(used in) operations	43,947	(3,355)	(24,595)	(8,134)
Interest paid	(162)	(160)	-	-
Tax paid	(4,706)	(2,337)	(746)	(454)
Net cash from/(used in) operating activities	39,079	(5,852)	(25,341)	(8,588)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(12,026)	(496)	-	-
Acquisition of other investments	(28,955)	(23,518)	(8,048)	(17,320)
Acquisition of investment properties	(982)	-	-	-
Acquisition of non-controlling interests	-	(6,500)	-	-
Redemption of investment from fund investments	3,400	-	-	-
Distribution income from fund investments	(163)	-	-	-
Dividend received from:				
- Joint ventures	-	800	-	-
- Subsidiaries	-	-	-	-
- Other investments	164	58	164	58
Acquisition of subsidiaries (Note 34.1)	(17,256)	-	(2,856)	(491)
Subscription of shares in an associate	-	-	-	-
Capital reduction in subsidiaries	-	515	-	17
Interest received	911	2,142	5,021	4,805
Net cash inflow from disposal of equity-accounted associate, net of cash and cash equivalents disposed of (Note 24)	140	-	26	-
Net cash outflow from disposal of a subsidiary, net of cash and cash equivalents disposed of (Note 24)	-	(32)	-	-
Proceeds from disposal of property, plant and equipment	416	22	-	-
Proceeds from disposal of asset held for sale	-	1,416	-	-
Proceeds from disposal of other investments	8,783	16,549	8,783	16,549

Statements of Cash Flows

for the year ended 31 December 2021 (continued)

SALCON BERHAD [200201026133 (593796-T)]

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities (continued)				
Net cash (used in)/ from investing activities	(45,568)	(9,044)	3,090	3,618
Cash flows from financing activities				
Dividends paid to non-controlling interests	(2,375)	(700)	-	-
Drawdown from borrowings	12,488	14,803	5,000	-
Interest paid	(3,702)	(2,304)	(79)	(1)
Proceeds from issue of share capital	-	33,811	-	33,811
Repayment of finance lease liabilities	(261)	(1,393)	-	(83)
Repayment of lease liabilities	(779)	(2,045)	-	-
Repayment of borrowings	(14,292)	(5,112)	-	-
Repurchase of treasury shares	(4,137)	(5,385)	(4,137)	(5,385)
Net cash (used in)/from financing activities	(13,058)	31,675	784	28,342
Net (decrease)/increase in cash and cash equivalents	(19,547)	16,779	(21,467)	23,372
Cash and cash equivalents at beginning of the year	142,076	119,884	103,429	79,044
Effect of exchange rate fluctuations on cash held	(2,034)	5,413	(103)	1,013
Cash and cash equivalents at end of the year	120,495	142,076	81,859	103,429

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits placed with licensed banks	15	39,341	63,770	21,562	43,807
Cash and bank balances	15	81,195	79,066	60,297	59,622
		120,536	142,836	81,859	103,429
Bank overdrafts	18	(11)	(730)	-	-
Pledged deposits	15	(30)	(30)	-	-
		120,495	142,076	81,859	103,429

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Cash outflows for leases as a lessee

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in net cash from operating activities					
Payment relating to short-term leases	25	93	274	-	-
Payment relating to leases of low value assets	25	26	28	-	-
Interest paid in relation to lease liabilities		162	160	-	-
Included in net cash from financing activities					
Payment of lease liabilities		779	2,045	-	-
Total cash outflows for leases		1,060	2,507	-	-

Reconciliation of movements of lease liabilities to cashflows arising from financing activities

Group	Lease liabilities RM'000	Total liabilities from financing activities RM'000
At 1 January 2020	3,474	3,474
Net changes from financing cash flows	(2,045)	(2,045)
Acquisition of new lease	1,389	1,389
At 31 December 2020/ 1 January 2021	2,818	2,818
Net changes from financing cash flows	(779)	(779)
Acquisition of new lease	108	108
Acquisition through business combination	497	497
At 31 December 2021	2,644	2,644

The notes on pages 120 to 211 are an integral part of these financial statements.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

Salcon Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

15th Floor, Menara Summit
Persiaran Kewajipan USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group” and individually referred to as “Group entities”) and the Group’s interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2021 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 April 2022.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – COVID-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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1. BASIS OF PREPARATION (CONTINUED)**(a) Statement of compliance (continued)*****MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021 and 1 January 2022, except for Amendments to MFRS 1 and Amendments to MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and Amendments to MFRS 17 which are not applicable to the Group and the Company.

The initial application of the abovementioned amendments is not expected to have any material financial impact to the current period and prior year financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 – extension options and incremental borrowing rate in relation to leases
- Note 5 – measurement of the recoverable amounts of cash generating units
- Note 6 – valuation of investment properties
- Note 11 – recognition of deferred tax assets on unutilised tax losses
- Note 20 – revenue from construction contracts

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Groups' interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(m)(i)) where the effective interest rate is applied to the amortised cost.

(b) *Fair value through profit or loss*

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(c) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)*****Financial assets (continued)*****(b) Fair value through profit or loss (continued)**

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(m)(i)).

Financial liabilities

The category of financial liabilities at initial recognition are as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• leasehold land	99 years
• buildings	30 - 50 years
• plant and machinery	5 - 50 years
• motor vehicles	5 - 10 years
• furniture and fittings	5 - 12 years
• office equipment	5 - 12 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Leases (continued)****(ii) Recognition and initial measurement (continued)****(b) As a lessor (continued)**

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(f) Intangible assets**(i) Goodwill**

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Research and development (continued)

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised include the costs of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Land use rights

Land use rights that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(v) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Amortisation of land use rights, software and trademarks are recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

• land use rights	67 ½ years
• software and trademark	8 years
• customer relationship	10 years

The useful life is reviewed at the end of each reporting period and adjusted, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

(i) Property development

Land held for property development consists of reclaimed land, freehold land, leasehold land and land use rights on which development work has not been commenced along with related costs on activities that are necessary to prepare the land for its intended use. Land held for property development is transferred to properties under development or work-in-progress when development activities have commenced.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories (continued)

(i) Property development (continued)

Development costs comprises all costs directly attributable to property development activities or that can be allocated on a reasonable basis to these activities. Upon completion of development, unsold completed development properties are transferred to completed properties held for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Manufacturing inventories and completed properties

The cost of manufacturing inventories is calculated using the first-in, first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

The cost of completed properties held for sale consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(m)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Contract asset/Contract liability (continued)**

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Contract cost**(i) Incremental cost of obtaining a contract**

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(m) Impairment**(i) Financial assets**

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, and contract assets are always measured at an amount equal to lifetime expected credit loss.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets, investment properties measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(ii) Other assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments are classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the considerations paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales considerations net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Distribution of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- (b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from sub-leased property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(q) Revenue and other income (continued)****(iii) Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(u) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Operation Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(x) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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SALCON BERHAD [200201026133 (593796-T)]

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in- progress RM'000	Total RM'000
Cost								
At 1 January 2020		733	5,039	14,618	29,086	5,050	909	55,435
Additions		-	22	-	23	451	-	496
Transfer		-	-	-	463	-	(463)	-
Disposals		-	-	-	-	(80)	-	(80)
Derecognition through strike-off of subsidiaries		-	-	-	-	(54)	-	(54)
Write-off		-	-	(1,471)	-	(81)	-	(1,552)
Effect of movements in exchange rates		-	-	231	(2)	4	-	233
At 31 December 2020/1 January 2021		733	5,061	13,378	29,570	5,290	446	54,478
Additions		-	-	6,885	871	255	4,015	12,026
Transfer to asset held for sales	16.1	-	(2,265)	-	-	-	-	(2,265)
Disposals		-	(226)	(91)	(923)	-	-	(1,240)
Acquisition through business combination	34.1	-	607	32,502	852	65	-	34,026
Write-off		-	-	-	(1,011)	(63)	-	(1,074)
Effect of movements in exchange rates		-	-	378	6	(5)	-	379
At 31 December 2021		733	3,177	53,052	29,365	5,542	4,461	96,330

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3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital work-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation and impairment loss								
At 1 January 2020								
	Accumulated depreciation	-	509	5,243	23,022	4,215	-	32,989
	Accumulated impairment loss	-	-	615	37	-	-	652
	Depreciation for the year	-	509	5,858	23,059	4,215	-	33,641
	Disposals	-	103	534	2,550	362	-	3,549
	Derecognition through disposal of subsidiaries	-	-	-	-	(80)	-	(80)
	Write-off	-	-	(490)	-	(50)	-	(555)
	Effect of movements in exchange rates	-	-	79	-	3	-	82
At 31 December 2020/1 January 2021								
	Accumulated depreciation	-	612	5,356	25,572	4,385	-	35,925
	Accumulated impairment loss	-	-	625	37	-	-	662
		-	612	5,981	25,609	4,385	-	36,587

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land	Buildings	Plant and machinery	Motor vehicles	Office equipment, furniture and fittings	Capital work-in-progress	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Depreciation and impairment loss (continued)								
At 31 December 2020/1 January 2021								
	Accumulated depreciation	-	612	5,356	25,572	4,385	-	35,925
	Accumulated impairment loss	-	-	625	37	-	-	662
	Depreciation for the year	-	612	5,981	25,609	4,385	-	36,587
	Impairment loss for the year	-	157	4,758	2,228	392	-	7,535
	Disposals	-	288	-	32	-	-	320
	Transfer to asset held for sales	-	(28)	(31)	(923)	-	-	(982)
	Write-off	-	(465)	-	-	-	-	(465)
	Effect of movements in exchange rates	-	-	-	(765)	(25)	-	(790)
	At 31 December 2021	-	-	157	3	(6)	-	154
	Accumulated depreciation	-	564	10,240	26,115	4,746	-	41,665
	Accumulated impairment loss	-	-	625	69	-	-	694
	At 31 December 2020	-	564	10,865	26,184	4,746	-	42,359
Carrying amounts								
	At 1 January 2020	733	4,530	8,760	6,027	835	909	21,794
	At 31 December 2020/1 January 2021	733	4,449	7,397	3,961	905	446	17,891
	At 31 December 2021	733	2,613	42,187	3,181	796	4,461	53,971

3.1 Pledged assets

Included in the net book value of buildings are amounts of RM1,355,000 (2020: RM1,390,000) charged to a licensed bank for facility granted to the Group (Note 18.1).

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4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group						
At 1 January 2020		81	3,099	182	9,028	12,390
Additions		77	1,312	-	365	1,754
Depreciation	4.1	(68)	(1,766)	(91)	(1,027)	(2,952)
At 31 December 2020/ 1 January 2021		90	2,645	91	8,366	11,192
Additions		-	108	-	2,085	2,193
Depreciation	4.1	(43)	(1,320)	(91)	(687)	(2,140)
Acquisition through business combination	34.1	-	489	-	-	489
At 31 December 2021		47	1,922	-	9,764	11,733

	Note	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2020		65	65
Depreciation	4.1	(65)	(65)
At 31 December 2020/1 January 2021		-	-
Depreciation	4.1	-	-
At 31 December 2021		-	-

The Group leases a few parcels of land, office spaces and warehouse facilities that run between one year and five years, with an option to renew the lease after that date. Lease payments are normally increased every three years to reflect current market rentals.

4.1 Depreciation capitalised in carrying amount of another asset

	2021		2020	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Recognised in profit or loss	1,910	-	2,608	65
Capitalised into work-in-progress	230	-	344	-
	2,140	-	2,952	65

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.2 Extension options

Some lease contracts contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.3 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

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5. INTANGIBLE ASSETS

Group	Goodwill RM'000	Customer relationship RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
Cost					
At 1 January 2020	13,357	-	18,148	3,302	34,807
Write off	(8,513)	-	-	-	(8,513)
At 31 December 2020/1 January 2021	4,844	-	18,148	3,302	26,294
Acquired through business combination	14,517	6,900	-	-	21,417
At 31 December 2021	19,361	6,900	18,148	3,302	47,711
Amortisation and impairment loss					
At 1 January 2020					
Accumulated amortisation	-	-	(284)	(413)	(697)
Accumulated impairment loss	(8,513)	-	-	-	(8,513)
	(8,513)	-	(284)	(413)	(9,210)
Amortisation for the year	-	-	(284)	(413)	(697)
Impairment loss	(1,160)	-	-	-	(1,160)
Write-off of impairment loss	8,513	-	-	-	8,513
At 31 December 2020/1 January 2021					
Accumulated amortisation	-	-	(568)	(826)	(1,394)
Accumulated impairment loss	(1,160)	-	-	-	(1,160)
	(1,160)	-	(568)	(826)	(2,554)
Amortisation for the year	-	(658)	(284)	(412)	(1,354)
31 December 2021					
Accumulated amortisation	-	(658)	(852)	(1,238)	(2,748)
Accumulated impairment loss	(1,160)	-	-	-	(1,160)
	(1,160)	(658)	(852)	(1,238)	(3,908)
Carrying amounts					
At 1 January 2020	4,844	-	17,864	2,889	25,597
At 31 December 2020/1 January 2021	3,684	-	17,580	2,476	23,740
At 31 December 2021	18,201	6,242	17,296	2,064	43,803

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SALCON BERHAD [200201026133 (593796-T)]

5. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Impairment testing for cash-generating units containing goodwill

Impairment testing for goodwill is performed annually. For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Group	Note	2021 RM'000	2020 RM'000
Wastewater projects		3,684	3,684
Healthcare	34.1	14,512	-
Others		5	-
At 31 December		18,201	3,684

Wastewater projects unit

The recoverable amount has been determined based on its value-in-use. Key assumptions used in preparing the financial budgets represents management's assessment of future trends with certain reference made to both external sources and internal sources (historical data) are as follows.

- Cash flows were projected based on past experience, actual operating results attained in the past three years and 5 years cash flow projections were prepared.
- Revenue was projected based on the average of past three years for the first year of the forecast. There was no growth rate assumed for the subsequent years.
- Cost of sales are assumed to be consistent with revenue growth where the gross profit margin to be assumed at 17.3% (2020: average of 18.2%).
- A pre-tax discount rate of 13.3% (2020: 11.6%) was applied in determining the recoverable amount of the unit.

Based on the impairment assessment, there was no indication of impairment on goodwill of wastewater projects unit during the financial year. In addition, there were also assessment on the key assumptions used and sensitivity of such assumptions to impairment loss. Sensitivity to changes in assumptions are as follows:

- (i) An increase of 1 percentage point in the discount rate used would not result in impairment loss
- (ii) A decrease in 2 percentage point in the future planned revenue would not result in impairment loss.

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5. INTANGIBLE ASSETS (CONTINUED)**Healthcare unit**

The recoverable amount of the unit was based on its fair value less cost of disposal, determined by discounting the future cash flows based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the 8 years business plan. Cash flows for a 9th year onwards were assumed using a terminal growth rate of 2%.
- Revenue was projected at RM152,600,000 in the first year of business plan. The anticipated annual revenue growth included in the cash flow projections was contributed by increase in production capacity from planned additional production lines commissioning from year 2024.
- Manufacturing and trading cost growth was assumed to be consistent with revenue growth where the gross profit margin to be assumed at an average of 12% depending on type of product in the projection. The estimated margin was based on past operating result for the Company.
- Additional new production lines with production capacity of 100 million pieces per line were projected to be added in starting from 3rd year of the Projected Period which would contribute to additional annual production volume of 900 million pieces at the end of the Projected Period.
- A pre-tax discount rate of 18.1% was applied in determining the recoverable amount of the business. The discount rate was estimated based on an industry average weighted average cost of capital.

Based on the impairment assessment, there was no impairment on goodwill of healthcare unit during the financial year. The above estimates are particularly sensitive in the following area:

- A decrease of 2.5 percentage point in the gross profit margin for manufacturing glove would have resulted impairment loss.

The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation techniques used.

Customer relationships

Customer relationship with estimated economic definite useful life is amortised over a period of 10 years, with remaining amortisation period of 9 years.

Land use rights

Land use rights represent the right acquired by a group entity over a parcel of land for a duration until year 2082.

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6. INVESTMENT PROPERTIES

	Note	Group	
		2021 RM'000	2020 RM'000
At beginning of year		9,924	9,924
Addition		982	-
Acquisition through business combination	34.1	729	-
Change in fair value		(176)	-
Transfer to assets held for sale	16.2	(912)	-
At end of year		10,547	9,924

Included in the above are:

	Group	
	2021 RM'000	2020 RM'000
At fair value		
Freehold land	89	319
Freehold land and buildings	1,239	550
Leasehold land and buildings with unexpired lease period of more than 50 years	9,219	9,055
	10,547	9,924

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2021 RM'000	2020 RM'000
Direct operating expenses:		
- income generating investment properties	6	6

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2021		2020	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Group				
Land	89	89	319	319
Buildings	10,458	10,458	9,605	9,605
	10,547	10,547	9,924	9,924

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6. INVESTMENT PROPERTIES (CONTINUED)**6.1 Fair value information (continued)****Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Price per square foot RM212 to RM847 (2020: RM43 to RM645)	The estimated fair value would increase/ (decrease) if the price per square foot is higher/(lower)

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
Cost of investment	100,318	97,462
Capital contribution to a subsidiary	-	7,130
	100,318	104,592
Less: Impairment losses	(9,438)	(16,568)
	90,880	88,024

Notes to the Financial Statements

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2021 %	2020 %
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewage and wastewater facilities; - Provision of mechanical and electrical engineering services for general industries; and - Investment holding	100	100
Salcon Water (Asia) Limited	Hong Kong	Investment holding	100	100
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Dormant	51	51
Salcon Changzhou (HK) Limited	Hong Kong	Investment holding	-	100
Salcon Capital Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Power (HK) Limited +	Hong Kong	Sales of solar power products and solar energy	100	100
Salcon Water (HK) Limited	Hong Kong	Dormant	100	100
Salcon Development Sdn. Bhd.	Malaysia	Investment holding	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Provision of financial assistance	100	100
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	70
Salcon Petroleum Services (Labuan) Limited	Malaysia	Dormant	100	100
Salcon Xinlian Sdn. Bhd. ^	Malaysia	Dormant	51	51
Inergist Sdn. Bhd. (f.k.a. Salcon SER Sdn. Bhd.) ^	Malaysia	Investment holding	70	70
Fortune Command Sdn. Bhd. *	Malaysia	Dormant	100	80
Nusantara Jasakita Sdn. Bhd.	Malaysia	Investment holding	100	90
Glitteria Sdn. Bhd. ^	Malaysia	Dormant	100	-
Kunci Sempurna Sdn. Bhd.^	Malaysia	Dormant	100	-
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest	
			2021 %	2020 %
Glitteria Sdn. Bhd. ^	Malaysia	Dormant	-	100
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon (Perak) Sdn. Bhd. @ ^	Malaysia	Dormant	40	40
Logit Sdn. Bhd. ^	Malaysia	Development and marketing of a web-based system	100	100
Salcon (Sarawak) Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100
Salcon WP Sdn Bhd	Malaysia	Dormant	60	60
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiary of Salcon Capital Sdn. Bhd.:				
Eco-Coach & Tours (M) Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Subsidiary of Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.:				
JTT Advisory Sdn. Bhd.	Malaysia	Dormant	100	100
Subsidiaries of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd. @	Malaysia	Property development	50	50
Prestasi Kemas Sdn. Bhd.	Malaysia	Property development	70	70
Nusantara Megajuta Sdn. Bhd.	Malaysia	Property development	100	100
Subsidiary of Eco-Coach & Tours (M) Sdn. Bhd.:				
Senstrac Sdn. Bhd. ^	Malaysia	E-commerce travel and Tourism	51	51
Subsidiary of Senstrac Sdn. Bhd.				
Eco Tours Asia Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Green Fleet Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Subsidiary of Inergist Sdn. Bhd. (f.k.a. Salcon SER Sdn. Bhd.):				
Satria Megajuta Sdn. Bhd. ^ #	Malaysia	Sales of solar energy	47	47
Subsidiary of Nusantara Jasakita Sdn. Bhd.				
JR Engineering And Medical Technologies (M) Sdn. Bhd.	Malaysia	Gloves manufacturing, Import and export of varieties of goods	51	-
JR Healthcare Sdn. Bhd.	Malaysia	Import and export of varieties of goods	100	-

+ Audited by other member firms of KPMG International.

^ Audited by other firms of accountants.

@ Although the Group owns 50% or less than 50% of the voting power of the Group Entities, the Group regards them as subsidiaries as it is able to govern the financial and operating policies of the companies by virtue of shareholders agreements entered into with the other investors of these group entities. Consequently, the Group consolidates its investments in these companies.

Although the effective ownership interest and voting interest is less than 50%, the Group controls the group entities by virtue of its majority ownership through its subsidiaries.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Envitech Sdn. Bhd. RM'000	JR Engineering & Medical Technologies Sdn. Bhd. RM'000
2021		
NCI percentage of ownership interest and voting interest	40%	49%
Carrying amount of NCI	22,737	21,197
(Loss)/Profit allocated to NCI	(671)	7,313
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	15,685	41,090
Current assets	55,327	57,239
Non-current liabilities	(1,632)	(6,680)
Current liabilities	(12,538)	(48,391)
Net assets/(liabilities)	56,842	43,258
Year ended 31 December		
Revenue	23,026	132,844
(Loss)/Profit for the year	(1,678)	14,421
Total comprehensive (expense)/income	(1,678)	14,421
Cash flows generated from/(used in) operating activities	2,604	(14,049)
Cash flows generated from/(used in) in investing activities	788	(6,031)
Cash flows (used in)/generated from financing activities	(69)	17,743
Net increase/(decrease) in cash and cash equivalents	3,323	(2,337)
Dividends paid to NCI	2,000	-

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7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)**7.1 Non-controlling interest in subsidiaries (continued)**

	Envitech Sdn. Bhd. RM'000	Azitin Venture Sdn. Bhd. RM'000	Senstrac Sdn. Bhd. RM'000
2020			
NCI percentage of ownership interest and voting interest	40%	50%	49%
Carrying amount of NCI	25,408	1,054	(1,128)
Profit/(Loss) allocated to NCI	1,054	(965)	(720)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	18,446	-	732
Current assets	56,554	3,360	69
Non-current liabilities	(2,326)	-	(228)
Current liabilities	(9,154)	(1,251)	(2,876)
Net assets/(liabilities)	63,520	2,109	(2,303)
Year ended 31 December			
Revenue	43,543	23,763	-
Profit/(Loss) for the year	2,634	(1,931)	(1,469)
Total comprehensive income/(expense)	2,634	(1,931)	(1,469)
Cash flows generated from operating activities	6,205	17,721	16
Cash flows used in investing activities	(4,841)	-	(173)
Cash flows (used in)/generated from financing activities	(1,784)	(18,164)	167
Net (decrease)/increase in cash and cash equivalents	(420)	(443)	10
Dividends paid to NCI	-	-	-

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SALCON BERHAD [200201026133 (593796-T)]

8. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Investment in shares	21,824	24,178	-	1,928
Share of post-acquisition reserves	1,331	(645)	-	-
Less: Impairment loss	(6,192)	(6,192)	-	(1,679)
	16,963	17,341	-	249

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2021 %	2020 %
Salcon Petroleum Services Sdn. Bhd. ("SPS")	Malaysia	Service provider and agent for representing overseas oil and gas services companies in Malaysia	-	49
Associates of Salcon Engineering Berhad:				
Emas Utilities Corporation Sdn. Bhd. ("EUC")	Malaysia	Investment holding company with 90% equity interest in Binh An Water Corporation Ltd., who engaged in production and supply of treated water in Vietnam	40	40
Associates of Senstrac Sdn Bhd:				
Wisdom Sports (M) Sdn. Bhd.	Malaysia	Sports tourism	-	23

The following table summarises the financial information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

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8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Group	EUC	
	2021 RM'000	2020 RM'000
Summarised financial information as at 31 December		
Current assets	44,007	41,771
Current liabilities	(20)	(14)
Net assets	43,987	41,757
Year ended 31 December		
Profit for the year	663	1,067
Other comprehensive income/(expense)	2,136	(733)
Total comprehensive income	2,799	334
Included in the total comprehensive income is:		
Revenue	-	-

Group	EUC RM'000	Other immaterial associates RM'000	Total RM'000
2021			
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	16,963	-	16,963
Carrying amount in the statement of financial position	16,963	-	16,963
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	236	-	236
Other information			
Dividends received by the Group	-	-	-
2020			
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	16,703	638	17,341
Carrying amount in the statement of financial position	16,703	638	17,341
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	385	(96)	289
Other information			
Dividends received by the Group	-	-	-

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SALCON BERHAD [200201026133 (593796-T)]

9. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Investment in shares	29,063	29,063	23,500	23,500
Share of post-acquisition reserves	12,427	352	-	-
	41,490	29,415	23,500	23,500

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest	
			2021 %	2020 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	9.1	50 plus 2 shares	50 plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	9.2	36	36
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	9.3	50	50
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	9.4	50	50
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	9.5	30	30

9.1 On 7 May 2014, the Group has acquired 50% plus one ordinary share, representing 200,001 ordinary shares each in Volksbahn Technologies Sdn. Bhd. ("VTSB") for a total cash consideration of RM23.5 million. VTSB had, on 22 June 2014, allotted 400,001 bonus shares to its shareholders. As a result, the Group was entitled to 200,001 shares in VTSB of which in total, the Group has had 400,002 shares representing 50% plus 2 ordinary shares in VTSB. Pursuant to the terms and nature of the shareholders agreement, the Group's investment in VTSB constitutes a joint arrangement as the entity is jointly controlled by the Group and the other shareholder.

9.2 On 8 April 2014, the Group entered into a joint arrangement with MMC Corporation Berhad ("MMCB") and Ahmad Zaki Sdn. Bhd. ("AZSB"), and together, they have incorporated Salcon MMCB AZSB JV Sdn. Bhd. ("L1") on 29 September 2014.

9.3 On 23 December 2014, the Group entered into another joint arrangement with MMC Engineering Services Sdn. Bhd. ("MMCES") and AZSB to form Salcon MMCES AZSB JV Sdn. Bhd. ("L2"). On 30 September 2016, this joint venture has come to a novation agreement whereby the Group further acquire 14% shares in L2 resulting the Group has effective interest of 50% in L2 thereon.

Both Salcon MMCB AZSB JV Sdn. Bhd. and Salcon MMCES AZSB JV Sdn. Bhd. are set up to undertake the Langat 2 water treatment plant project.

9.4 On 30 December 2014, the Group entered into another joint arrangement with Loh & Loh Construction Sdn. Bhd. to form Salcon Loh & Loh JV Sdn. Bhd. ("SL1").

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9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

9.5 On 23 January 2015, the Group entered into a joint arrangement with Water Engineering Technology Sdn. Bhd. to form WET Envitech Sdn. Bhd. (“WESB”). The paid up capital of the joint arrangement is RM2, divided equally to the shareholders. On 23 May 2017, the paid up capital has been increased by RM999,998 to RM1,000,000, divided equally to the shareholders.

The following table summarises the financial information of the Group’s material joint ventures, adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group’s interests in joint ventures, which are accounted for using the equity method.

	WESB		L2		VTSB	
	2021 RM’000	2020 RM’000	2021 RM’000	2020 RM’000	2021 RM’000	2020 RM’000
Summarised financial information						
As at 31 December						
Non-current assets	639	653	-	-	16,865	14,489
Current assets	19,932	22,226	45,642	127,187	12,343	9,412
Non-current liabilities	-	-	-	-	(91)	(149)
Current liabilities	(978)	(4,472)	(27,031)	(127,027)	(16,848)	(17,192)
Cash and cash equivalents	3,238	10,775	11,778	437	9,326	6,024
Year ended 31 December						
Profit/(Loss) from continuing operations	764	1,338	18,451	(6,806)	5,710	1,968
Total comprehensive income/(expense)	764	1,338	18,451	(6,806)	5,710	1,968
Included in the total comprehensive income/ (expense) are:						
Revenue	12,007	12,668	24,734	11,412	16,723	14,235
Interest income	80	352	683	1,195	14	2
Interest expense	(4)	(6)	(1,219)	137	(196)	(376)
Tax (expense)/income	(219)	(369)	-	-	1,439	(4)

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9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	WESB RM'000	L2 RM'000	VTSB RM'000	Other immaterial joint ventures RM'000	Total RM'000
2021					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	6,022	9,305	5,431	1,929	22,687
Carrying amount in the statement of financial position	6,022	13,958	19,581	1,929	41,490
Group's share of results for the year ended 31 December					
Group's share of profit from continuing operations	301	9,226	2,133	415	12,075
Group's share of total comprehensive income	301	9,226	2,133	415	12,075
Other information					
Dividends received by the Group	-	-	-	-	-
2020					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	5,722	80	3,296	1,514	10,612
Carrying amount in the statement of financial position	5,722	4,733	17,446	1,514	29,415
Group's share of results for the year ended 31 December					
Group's share of profit/(loss) from continuing operations	401	(3,403)	984	290	(1,728)
Group's share of total comprehensive income/(expense)	401	(3,403)	984	290	(1,728)
Other information					
Dividends received by the Group	1,201	-	-	-	1,201

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10. OTHER INVESTMENTS

Group	Shares RM'000	Others RM'000	Total RM'000
2021			
Non-current			
Fair value through profit or loss			
- Quoted shares	4,901	-	4,901
Current			
Fair value through profit or loss			
- Fund investment	-	22,074	22,074
- Other investment	-	5,000	5,000
	-	27,074	27,074
2020			
Non-current			
Fair value through profit or loss			
- Quoted shares	8,932	-	8,932
Current			
Fair value through profit or loss			
- Fund investment	-	9,404	9,404
Company			
2021			
Non-current			
Fair value through profit or loss			
- Quoted shares	4,901	-	4,901
2020			
Non-current			
Fair value through profit or loss			
- Quoted shares	8,932	-	8,932

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11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	-	-	(6,945)	(1,433)	(6,945)	(1,433)
Other items	-	-	(852)	(51)	(852)	(51)
Tax losses carry-forward	1,389	3,516	-	-	1,389	3,516
Unabsorbed capital allowances	33	375	-	-	33	375
Tax assets/(liabilities)	1,422	3,891	(12,334)	(6,021)	(10,912)	(2,130)
Set off of tax	(12)	(203)	12	203	-	-
Net tax assets/(liabilities)	1,410	3,688	(12,322)	(5,818)	(10,912)	(2,130)

Movement in temporary differences during the financial year are as follows:

Group	At 1.1.2020 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss (Note 23) RM'000	Acquisition of a subsidiary (Note 34.1) RM'000	At 31.12.2021 RM'000
	Land use rights	(4,537)	-	(4,537)	-	-
Property, plant and equipment	(1,874)	441	(1,433)	(551)	(4,961)	(6,945)
Other items	(615)	564	(51)	609	(1,410)	(852)
Tax losses carry forward	3,516	-	3,516	(2,127)	-	1,389
Unabsorbed capital allowances	375	-	375	(342)	-	33
	(3,135)	1,005	(2,130)	(2,411)	(6,371)	(10,912)

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11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2021	2020
	RM'000	RM'000
Other deductible temporary differences	(976)	246
Unabsorbed capital allowances	3,916	2,261
Unutilised tax losses	36,782	33,010
	39,722	35,517

The deferred tax assets arising from other deductible temporary differences, unabsorbed capital allowances and unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. The other deductible temporary differences and unabsorbed capital allowances do not expire under the current tax legislation. The unutilised tax losses can only be carried forward up to 10 consecutive years of assessment. The table below shows the unutilised tax losses expires in respective year of assessment.

	Group	
	2021	2020
	RM'000	RM'000
Utilisation years		
Expiring in Year Assessment 2028	23,224	20,948
Expiring in Year Assessment 2029	8,803	8,803
Expiring in Year Assessment 2030	3,259	3,259
Expiring in Year Assessment 2031	1,496	-
	36,782	33,010

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade and other receivables					
Non-current					
Trade					
Trade receivables	12.1	9,859	12,130	-	-
		9,859	12,130	-	-
Non-trade					
Amounts due from subsidiaries	12.4	-	-	294,433	271,094
		-	-	294,433	271,094
		9,859	12,130	294,433	271,094
Current					
Trade					
Trade receivables	12.1	89,444	61,242	-	-
		89,444	61,242	-	-
Non-trade					
Amounts due from associates	12.2	-	57	-	52
Amounts due from joint ventures	12.3	8,691	46,311	1,540	6,473
Amounts due from subsidiaries	12.4	-	-	6,397	2,948
Other receivables	12.5	10,086	17,485	-	393
Deposits		4,522	3,900	-	2,856
		23,299	67,753	7,937	12,722
		112,743	128,995	7,937	12,722
		122,602	141,125	302,370	283,816
Prepayment					
Prepayment	12.6	29,012	851	13	-

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12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT (CONTINUED)**12.1 Trade receivables****Non-current**

Included in trade receivables of the Group are retention sums relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group	
	2021 RM'000	2020 RM'000
1 – 2 years	6,322	2,617
2 – 3 years	1,533	7,245
3 – 4 years	459	1,518
4 – 5 years	795	750
More than 5 years	750	-
	9,859	12,130

Current

Included in trade receivables of the Group are retention sums amounting to RM6,684,000 (2020: RM3,547,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection within 1 year.

- 12.2 The amounts due from associates of the Group and of the Company were unsecured, interest free and repayable on demand.
- 12.3 The amounts due from joint ventures of the Group and of the Company are unsecured, interest free and repayable on demand except for an amount of RM18,800,000 and RM5,000,000 respectively in prior year which bore interest of Nil (2020: 5.40% to 6.40%) per annum, respectively.
- 12.4 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for amounts of RM231,154,000 (2020: RM209,147,000) which bear interest of 2% to 6.4% (2020: 2% to 6.4%) per annum.
- Included in the amount due from subsidiaries, there are RM294,433,000 (2020: RM271,094,000) reclassified as non-current asset as the Company and its subsidiaries do not expect that funds are available for repayment within twelve months after reporting date.
- 12.5 Included in other receivables of the Group are allowance for impairment losses made against doubtful receivables of RM3,878,000 (2020: RM3,878,000).
- 12.6 Included in prepayment of the Group is RM27,483,000 (2020: Nil) related to advances paid to suppliers to purchase inventory.

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13. CONTRACT WITH CUSTOMERS

13.1 Contract assets/(liabilities)

Group	2021 RM'000	2020 RM'000
Contract assets	44,147	61,943
Contract liabilities	(4,482)	(8,422)

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 60 days and payment is expected within 60 to 120 days.

The contract liabilities primarily relate to the advance consideration received from customers for construction contract, which revenue is recognised over time during the construction contracts. The contract liabilities are expected to be recognised as revenue over a period of 60 days.

13.2 Contract cost

Group	2021 RM'000	2020 RM'000
Cost to fulfil a contract	5,790	4,593

Cost to fulfil contract

Construction cost that are attributable to the construction contracts are capitalised as contract costs during the current financial year. These costs are expected to be recoverable and are recognised to profit or loss when the related revenue is recognised.

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14. INVENTORIES

	Note	Group 2021 RM'000	2020 RM'000
Non-current			
At cost:			
Properties under development	14.1	108,831	-
		108,831	-
Current			
At cost:			
Spares		374	7
Consumables		44	40
Raw materials		1,560	-
Finished goods		10,450	-
Packaging materials		533	-
Completed properties held for sale		-	1,218
Properties under development	14.1	-	108,831
		12,961	110,096
		121,792	110,096
Recognised in profit or loss:			
Inventories recognised as cost of sales		108,384	23,195
14.1 Properties under development comprises:			
Land held for property development		108,615	108,615
Development costs		216	216
		108,831	108,831

The land held for property development with carrying amount of RM108,615,000 (2020: RM108,615,000) is charged to the financial institution for the facilities granted to Group entities (Note 18.1).

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15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits with licensed banks				
- Malaysia	17,920	43,001	140	23,038
- Outside Malaysia	21,421	20,769	21,422	20,769
	39,341	63,770	21,562	43,807
Cash and bank balances				
- Malaysia	13,412	11,715	437	400
- Outside Malaysia	67,783	67,351	59,860	59,222
	81,195	79,066	60,297	59,622
	120,536	142,836	81,859	103,429

Included in the deposits with licensed banks of the Group is amount of RM30,000 (2020: RM30,000) pledged for facilities (Note 18.3) granted to the Group.

16. ASSET CLASSIFIED AS HELD FOR SALE

	Note	Group	
		2021 RM'000	2020 RM'000
Asset classified as held for sale			
Property, plant and equipment	16.1	1,800	-
Investment property	16.2	912	-
		2,712	-

16.1 In the current financial year, the Group had entered into a sales and purchase agreement to dispose of two units of three storey shop office (see Note 3). The sale has not been completed at financial year end.

16.2 In the current financial year, the Group had entered into two sales and purchase agreements to dispose of one piece of freehold bungalow land and one piece of leasehold land respectively (see Note 6). The sale has not been completed at financial year end.

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17. CAPITAL AND RESERVES**17.1 Share capital**

	Note	Group and Company		Number of shares 2020 '000
		Amount 2021 RM'000	Number of shares 2021 '000	
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
1 January		458,276	1,012,413	847,113
Issued for cash under private placement	a	-	-	165,300
31 December		458,276	1,012,413	1,012,413

- (a) On 28 September 2020, the Company proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company (excluding treasury shares).

The private placement had been completed on 2 November 2020. A total of 165,300,000 new ordinary shares were placed out pursuant to the private placement.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

17.2 Treasury shares

The Company repurchased 18,771,900 (2020: 29,290,500) ordinary shares of its issued share capital from the open market, at an average cost of RM0.22 (2020: RM0.18) per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM4.14 million (2020: RM5.39 million) and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

During the financial year, the Company distributed 21,921,681 (2020: 27,663,917) treasury shares to entitled shareholders as share dividend. At the end of the year, the number of treasury shares held was 17,036,849 (2020: 20,186,630) shares.

17.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than Ringgit Malaysia.

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17. CAPITAL AND RESERVES (CONTINUED)

17.4 Warrants

The main features of the Warrant are as follows:

- i) Each Warrant will entitle its Warrant Holders an option to subscribe for one (1) new ordinary share at the exercise price of RM0.30 per share at any time on or after 20 July 2018 to 19 July 2025, subject to adjustments in accordance with the provisions of the Deed Poll dated 29 June 2018 constituting the Warrant;
- ii) Any Warrant not exercised during the exercise period shall thereafter lapse and cease to be valid; and
- iii) The new ordinary shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the existing ordinary shares of the Company, save and except that the new ordinary shares will not be entitled to any dividends, rights, allotments, and/or other distribution that may be declared, made or paid for which the entitlement date of which precedes the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The outstanding warrants remain unexercised at the end of the financial year amounting to 336,566,643 (2020: 336,566,643).

18. LOANS AND BORROWINGS

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Term loans (secured)	18.1	2,916	3,008	-	-
Term loans (unsecured)		498	-	-	-
Finance lease liabilities	18.2	5,996	2,049	-	-
		9,410	5,057	-	-
Current					
Bank overdrafts (unsecured)		11	730	-	-
Bankers' acceptances (secured)	18.3	8,620	6,427	-	-
Bank guarantees		158	-	-	-
Revolving credits	18.4	5,000	-	5,000	-
Term loans (secured)	18.1	624	76	-	-
Term loans (unsecured)		3,589	-	-	-
Trust Receipts		4,529	-	-	-
Invoice financing	18.5	7,055	17,806	-	-
Finance lease liabilities	18.2	436	1,969	-	-
		30,022	27,008	5,000	-
		39,432	32,065	5,000	-

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18. LOANS AND BORROWINGS (CONTINUED)**18.1 Term loans**

Secured term loans are secured via the following:

- a) Legal charge over the freehold buildings owned by a Group entity with carrying amount of RM1,355,000 (2020: RM1,390,000) (Note 3.1).
- b) 1st party 2nd legal charge over the land owned by a Group entity with carrying amount of RM108,615,000 (2020: RM108,615,000) (Note 14.1).

All other facilities (except finance lease liabilities) granted to the subsidiaries are guaranteed by the Company.

The repayment term of the term loans are as follows:

Group	2021			2020		
	Under 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000	Under 1 year RM'000	1 to 5 years RM'000	More than 5 years RM'000
Term loan						
- secured	624	1,766	1,150	76	729	2,279

18.2 Finance Lease Liabilities

Finance lease liabilities are payable as follows:

Group	2021			2020		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	511	(75)	436	2,150	(181)	1,969
Between one and five years	6,002	(98)	5,904	2,189	(140)	2,049
More than five years	96	(4)	92	-	-	-
	6,609	(177)	6,432	4,339	(321)	4,018

18.3 The bankers' acceptance are secured via fixed deposits with licensed bank (see Note 15).

18.4 The revolving credit of the Group and of the Company is secured by land owned by a Group entity with carrying amount of RM108,615,000 (2020: RM108,615,000) (Note 14.1).

18.5 Invoice financing of the Group is in respect of facilities granted for the purpose of financing its invoices receivable from one of its customers.

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SALCON BERHAD [200201026133 (593796-T)]

18. LOANS AND BORROWINGS (CONTINUED)

18.6 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
At 1 January 2020	5,046	3,145	14,481	22,672
Drawdown of borrowings	-	-	14,803	14,803
Repayment of borrowings	-	(61)	(5,051)	(5,112)
Acquisition of right-of-use assets through finance lease liabilities	365	-	-	365
Repayment of finance lease liabilities	(1,393)	-	-	(1,393)
At 31 December 2020/January 2021	4,018	3,084	24,233	31,335
Drawdown of borrowings	-	5,137	7,351	12,488
Repayment of borrowings	-	(2,812)	(11,480)	(14,292)
Acquisition of right-of-use assets through finance lease liabilities	2,085	-	-	2,085
Acquisition through business combination	590	2,218	5,258	8,066
Repayment of finance lease liabilities	(261)	-	-	(261)
At 31 December 2021	6,432	7,627	25,362	39,421

Company	Finance lease liabilities RM'000	Others RM'000	Total RM'000
At 1 January 2020	83	-	83
Repayment of finance lease liabilities	(83)	-	(83)
At 31 December 2020/1 January 2021	-	-	-
Drawdown of borrowing	-	5,000	5,000
Repayment of finance lease liabilities	-	-	-
At 31 December 2021	-	5,000	5,000

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19. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Trade					
Trade payables	19.1	11,187	9,752	-	-
		11,187	9,752	-	-
Current					
Trade					
Trade payables	19.1	12,036	14,197	-	-
Accrued expenses		45,816	40,491	-	-
		57,852	54,688	-	-
Non-trade					
Amounts due to associates	19.2	-	670	-	-
Amounts due to subsidiaries	19.3	-	-	23,884	23,504
Other payables	19.4	32,504	11,604	975	385
Accrued expenses		1,306	644	374	107
		33,810	12,918	25,233	23,996
		91,662	67,606	25,233	23,996

19.1 Trade payables

Non-current

Included in trade payables of the Group are retention sums relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group	
	2021 RM'000	2020 RM'000
1 – 2 years	9,155	7,957
2 – 3 years	1,608	1,282
3 – 4 years	424	513
	11,187	9,752

Current

Included in trade payables of the Group are retention sums amounting to RM854,000 (2020: RM452,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection within 1 year.

19.2 The amounts due to associates were unsecured, interest free and repayable upon demand.

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SALCON BERHAD [200201026133 (593796-T)]

19. TRADE AND OTHER PAYABLES (CONTINUED)

19.3 The amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

19.4 Included in other payables of the Group is dividend payable by a subsidiary to non-controlling interest of RM2,000,000 (2020: RM700,000).

20. REVENUE

Group	Total	
	2021 RM'000	2020 RM'000
Revenue from contract with customers		
Construction		
- Water projects	101,348	90,890
- Wastewater projects	21,497	46,110
- Water system repairs	13,270	16,535
- Others	183	58
Healthcare	132,844	-
Trading and services		
- Transportation	13,790	15,656
- Solar power services	1,051	1,002
- Others	733	134
Property development	2,177	23,763
Total revenue	286,893	194,148
Company		
Dividends	164	58

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20. REVENUE (CONTINUED)

20.1 Disaggregation of revenue

Group	Construction		Healthcare		Trading and services		Property development		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary geographical markets										
Malaysia	136,021	149,801	24,056	-	14,523	15,709	2,177	23,763	176,777	189,273
United States	-	-	95,000	-	-	-	-	-	95,000	-
Vietnam	2,331	-	-	-	-	-	-	-	2,331	-
Sri Lanka	1,731	3,792	-	-	-	-	-	-	1,731	3,792
India	(3,785)	-	9,807	-	-	-	-	-	6,022	-
The United Kingdom	-	-	1,026	-	1,051	1,002	-	-	2,077	1,002
Norway	-	-	-	-	-	81	-	-	-	81
Other countries	-	-	2,955	-	-	-	-	-	2,955	-
	136,298	153,593	132,844	-	15,574	16,792	2,177	23,763	286,893	194,148
Major products and services lines										
Water projects	101,348	90,890	-	-	-	-	-	-	101,348	90,890
Wastewater projects	21,497	46,110	-	-	-	-	-	-	21,497	46,110
Water system repairs	13,270	16,535	-	-	-	-	-	-	13,270	16,535
Healthcare	-	-	132,844	-	-	-	-	-	132,844	-
Property development	-	-	-	-	-	-	2,177	23,763	2,177	23,763
Transportation	-	-	-	-	13,790	15,656	-	-	13,790	15,656
Solar power services	-	-	-	-	1,051	1,002	-	-	1,051	1,002
Others	183	58	-	-	733	134	-	-	916	192
	136,298	153,593	132,844	-	15,574	16,792	2,177	23,763	286,893	194,148
Timing and recognition										
Over time	136,298	153,593	-	-	14,840	15,210	-	-	151,138	168,803
At a point in time	-	-	132,844	-	734	1,582	2,177	23,763	135,755	25,345
Total revenue	136,298	153,593	132,844	-	15,574	16,792	2,177	23,763	286,893	194,148

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

20. REVENUE (CONTINUED)

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Water projects	Revenue is recognised over time using the physical completion method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Wastewater projects	Revenue is recognised over time using the cost incurred method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Water system repairs	Revenue is recognised over time using the physical completion method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Healthcare	Revenue is recognised at a point in time when goods are delivered and accepted by the customers.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Property development	Revenue is recognised at a point in time for completed inventory where the sale and purchase agreement is signed.	Based on the terms in the Sales and Purchase Agreement.	Cash rebate of 10% will be given to all sales.	Not applicable.	Defect liability period of 2 years is given to customers.
Transportation	Revenue from services rendered is recognised in profit or loss during the period the obligations to provide transportation and tour services are satisfied.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Solar power services	Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period.	Credit period of 60 to 120 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

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20. REVENUE (CONTINUED)**20.3 Transaction price allocated to the remaining performance obligations**

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	More than 1 year	
	2021 RM'000	2020 RM'000
Water projects	112,172	222,507
Wastewater projects	56,747	65,925
Water system repairs	10,593	22,462
	179,512	310,894

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

20.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group measured the performance of construction work done with reference to the stage of completion. Significant judgements are required to estimate the progress towards the satisfaction of the performance obligation. In making these estimates, management relied on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors:				
- Fees	380	415	380	380
- Remuneration	5,568	6,369	1,987	-
- Other short-term employee benefits (including estimated monetary value of benefit-in-kind)	109	209	85	27
	6,057	6,993	2,452	407

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22. FINANCE COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	3,702	2,304	79	1
Interest expense on lease liabilities	162	160	-	-
	3,864	2,464	79	1

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Income tax expense on continuing operations	8,577	995	(28)	947
Share of tax of equity-accounted associates/joint ventures	166	246	-	-
Total income tax expense	8,743	1,241	(28)	947
Major components of income tax expense include:				
Income tax expense				
Malaysian - current year	6,194	1,882	-	845
- prior year	(28)	118	(28)	102
Total income tax recognised in profit or loss	6,166	2,000	(28)	947
Deferred tax expense				
Origination and reversal of temporary differences	2,936	(700)	-	-
Overprovision in prior year	(525)	(305)	-	-
Total deferred tax recognised in profit or loss	2,411	(1,005)	-	-
Share of tax of equity-accounted associates/joint ventures	166	246	-	-
Total tax expense	8,743	1,241	(28)	947

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23. TAX EXPENSE (CONTINUED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Reconciliation of tax expense				
Profit/(Loss) for the year	16,776	(8,057)	(5,753)	4,809
Total tax expense	8,743	1,241	(28)	947
Profit/(Loss) excluding tax	25,519	(6,816)	(5,781)	5,756
Income tax calculated using Malaysian tax rate of 24%	6,125	(1,636)	(1,387)	1,381
Effect of tax rates in foreign jurisdictions	-	10	-	-
Non-deductible expenses	2,921	3,477	2,060	1,314
Tax exempt income	(759)	(865)	(39)	(14)
Non-taxable income	-	-	(634)	(1,836)
Effect of deferred tax assets not recognised	1,009	442	-	-
	9,296	1,428	-	845
(Over)/Under provision in prior years	(553)	(187)	(28)	102
	8,743	1,241	(28)	947

24. DISCONTINUED OPERATIONS

The disposal of Salcon Petroleum Services Sdn. Bhd. and the strike off of Salcon Changzhou (HK) Ltd and Wisdom Sports Sdn. Bhd. have been completed during the financial year.

The disposal of of Salcon Xinlian Group Ltd and the strike off of Salcon Services (HK) Ltd was completed in the previous financial year.

(Loss)/Profit attributable to the discontinued operations was as follows:

	Group	
	2021 RM'000	2020 RM'000
Other income	-	302
Expenses	-	(45)
Results from operating activities, net of tax	-	257
(Loss)/Gain on sales of discontinued operations	(2,055)	1,431
Share of loss of associate	(70)	-
(Loss)/Profit for the year	(2,125)	1,688
Included in results from operating activities are:		
(Loss)/Gain on sales of discontinued operations	(2,055)	1,431
Unrealised foreign exchange gain	-	139

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24. DISCONTINUED OPERATIONS (CONTINUED)

(Loss)/Profit attributable to the discontinued operations was as follows:

	Group	
	2021 RM'000	2020 RM'000
Cash flows from discontinued operations		
Net cash inflow/(outflow) from investing activities	140	(32)
Effect on cash flows	140	(32)

The loss from discontinued operations of RM2,125,000 (2020: Gain RM1,534,000) is attributable to the owners of the Group.

Effect of disposal on the financial position of the Group

	2021 RM'000	2020 RM'000
Investment in associate	569	-
Property, plant and equipment	-	4
Trade and other receivables	-	553
Tax recoverable	-	111
Cash and cash equivalents	-	32
Trade and other payables	-	(722)
Effect of foreign currency difference	1,626	591
Non-controlling interest	-	(2,000)
Net assets/(liabilities)	2,195	(1,431)
(Loss)/Gain on sales of discontinued operations	(2,055)	1,431
Consideration received, satisfied in cash	140	-
Cash and cash equivalent disposed of	-	(32)
Net cash inflow/(outflow)	140	(32)

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25. PROFIT/(LOSS) FOR THE YEAR

Note	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) for the year is arrived at after charging/(crediting)				
Auditors' remunerations				
- Audit fees				
- Current year				
KPMG PLT	466	414	193	175
Overseas affiliates of KPMG PLT	71	60	-	-
Other auditors	77	34	-	-
- Non-audit fees				
- KPMG PLT	35	35	35	35
Material expenses/(income)				
Amortisation of intangible asset	1,354	697	-	-
Depreciation of property, plant and equipment	7,535	3,549	-	-
Depreciation of right-of-use assets	1,910	2,608	-	65
Dividend income from:				
- Other investment	(164)	(58)	(164)	(58)
- Joint ventures	-	(800)	-	-
Net fair value loss/(gain) on other investments	3,171	(1,677)	3,171	(1,677)
Finance income:				
- Subsidiaries	-	-	(4,681)	(4,197)
- Others	(911)	(2,142)	(340)	(608)
Loss/(Gain) on disposal of equity interest in subsidiaries	1,626	(1,431)	-	-
Loss on disposal of equity interest in associate companies	429	-	223	-
Loss on dilution of shareholdings in subsidiaries	-	-	-	265
Loss/(Gain) on disposal of other investments	125	(2,431)	125	(2,431)
Fair value loss on investment property	176	-	-	-
Gain on disposal of property, plant and equipment	(158)	(22)	-	-
Impairment losses:				
- Investments in subsidiaries	-	-	-	180
- Investments in associates	-	-	-	95
- Property, plant and equipment	320	-	-	-
- Goodwill	-	1,160	-	-
Net realised foreign exchange (gain)/loss	16	(50)	-	99
Net unrealised foreign exchange (gain)/loss	(1,547)	(1,545)	103	(1,013)

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25. PROFIT/(LOSS) FOR THE YEAR (CONTINUED)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Material expenses/(income) (continued)					
Gain on disposal of assets held for sale		-	(922)	-	-
Other receivables written off		20	8	-	7
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,803	2,141	659	401
- Wages, salaries and others		25,506	20,346	5,966	3,787
Property, plant and equipment written off		284	997	-	-
Waiver of amount due to subsidiaries		-	-	(908)	-
Expenses/(income) arising from leases					
Expenses relating to short term leases	25.1	93	274	-	-
Expenses relating to leases of low value assets	25.1	26	28	-	-
Rental income on premises		(168)	(173)	-	-
Net (reversal of)/loss on impairment of financial instruments					
Financial assets at amortised cost					
Impairment loss					
- Trade receivables		-	305	-	-
- Other receivables		-	2,726	-	-
- Amounts due from subsidiaries		-	-	-	319
Reversal of impairment loss					
- Trade receivables		(97)	(120)	-	-
		(97)	2,911	-	319

25.1 The Group leases office equipment and office spaces with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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26. OTHER COMPREHENSIVE INCOME/(EXPENSE)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2021			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(239)	-	(239)
2020			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	6,154	-	6,154

27. EARNINGS/(LOSS) PER ORDINARY SHARE**Basic earnings/(loss) per ordinary share**

The calculation of basic earnings/(loss) per ordinary share at 31 December 2021 was based on the earnings/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
2021			
Profit/(Loss) attributable to ordinary shareholders	14,094	(2,125)	11,969
2020			
(Loss)/Profit attributable to ordinary shareholders	(7,601)	1,534	(6,067)

	Group	
	2021 '000	2020 '000
Weighted average number of ordinary shares		
1 January	1,012,413	847,113
Effect of treasure shares held	(3,869)	16,481
31 December	1,008,544	863,594

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27. (LOSS)/EARNINGS PER ORDINARY SHARE (CONTINUED)

Basic earnings/(loss) per ordinary share (continued)

	Group	
	2021 Sen	2020 Sen
From continuing operations	1.40	(0.88)
From discontinued operations	(0.21)	0.18
Basic earnings/(loss) per ordinary share	1.19	(0.70)

Diluted (loss)/earnings per ordinary share

The potential ordinary shares, warrants on issue, are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares. Accordingly, the diluted earnings/(loss) per ordinary share for the current and previous years are equal to the basic earnings/(loss) per ordinary share.

28. DIVIDENDS

Dividends recognised by the Company:

	Total amount RM'000	Date of payment
2021		
First and final share dividend of one (1) treasury share for every forty-five (45) existing ordinary shares held	3,742	12 July 2021
2020		
First and final share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held	6,436	19 August 2020

After the end of the reporting period, a final dividend of one (1) treasury share for every forty (40) existing ordinary shares held in the Company was proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

29. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Operating Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1: Includes constructions.
- Segment 2: Includes healthcare.
- Segment 3: Includes trading and services.
- Segment 4: Includes property development.

The sales and services are aggregated to form a reportable segment as trading and services due to similar nature and economic characteristics. The nature, processes and accounting treatment of the trading and services industry are similar.

The accounting policies of the reportable segments are the same as described in Note 2(v).

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire assets other than goodwill.

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29. OPERATING SEGMENTS (CONTINUED)

Group 2021	Constructions RM'000	Healthcare RM'000	Trading and Services RM'000	Property Development RM'000	Total		Total RM'000
					Continuing Operations RM'000	Discontinued Operation RM'000	
Segment profit/(loss)	18,232	24,602	6,372	(978)	48,228	(2,125)	46,103
<i>Included in the measure of segment profit/(loss) are:</i>							
Revenue from external customers	136,298	132,844	15,574	2,177	286,893	-	286,893
Share of profit of associates	-	-	236	-	236	-	236
Share of profit of joint ventures	9,942	-	2,133	-	12,075	-	12,075
<i>Not included in the measure of segment profit/(loss) but provided to CODM:</i>							
Depreciation and amortisation	(1,303)	(4,983)	(4,229)	(284)	(10,799)	-	(10,799)
Finance costs	(773)	(940)	(965)	(1,186)	(3,864)	-	(3,864)
Finance income	898	3	-	10	911	-	911
Tax expense	(2,436)	(5,436)	(537)	(168)	(8,577)	-	(8,577)
Segment assets	354,795	103,701	93,199	109,565	661,260	-	661,260
<i>Included in the measure of segment assets are:</i>							
Investment in associates	-	-	16,963	-	16,963	-	16,963
Investment in joint ventures	21,909	-	19,581	-	41,490	-	41,490
Additions to non-current assets other than financial instruments and deferred tax assets	1,130	3,204	10,867	-	15,201	-	15,201

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29. OPERATING SEGMENTS (CONTINUED)

Group 2020	Total						
	Constructions RM'000	Healthcare and Services RM'000	Trading and Services RM'000	Property Development RM'000	Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Segment profit/(loss)	833	367	5,086	(3,729)	2,557	1,550	4,107
<i>Included in the measure of segment profit/(loss) are:</i>							
Revenue from external customers	153,593	-	16,792	23,763	194,148	-	194,148
Share of profit/(loss) of associates	-	385	(96)	-	289	-	289
Share of (loss)/profit of joint ventures	(2,712)	-	984	-	(1,728)	-	(1,728)
<i>Not included in the measure of segment profit/(loss) but provided to CODM:</i>							
Depreciation and amortisation	(1,409)	-	(5,161)	(284)	(6,854)	-	(6,854)
Finance costs	(1,177)	-	(405)	(882)	(2,464)	-	(2,464)
Finance income	2,107	-	1	34	2,142	-	2,142
Tax expense	(962)	-	(407)	374	(995)	-	(995)
Segment assets	386,613	16,874	80,526	111,482	595,495	-	595,495
<i>Included in the measure of segment assets are:</i>							
Investment in associates	-	16,703	638	-	17,341	-	17,341
Investment in joint ventures	11,969	-	17,446	-	29,415	-	29,415
Additions to non-current assets other than financial instruments and deferred tax assets	693	-	1,557	-	2,250	-	2,250

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

29. OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and other material items

	Group	
	2021 RM'000	2020 RM'000
Profit or loss		
Total profit or loss for reportable segments	48,228	2,557
Depreciation and amortisation	(10,799)	(6,854)
Finance costs	(3,864)	(2,464)
Finance income	911	2,142
Unrealised and realised foreign exchange differences	1,531	1,595
Unallocated expenses:		
Corporate expenses	(8,529)	(5,726)
Consolidated loss before tax from continuing operations	27,478	(8,750)
(Loss)/Profit from discontinued operation, net of tax	(2,125)	1,688
Consolidated loss before tax	25,353	(7,062)

Geographical segments

The constructions, concessions, healthcare, trading and services and property development are managed on a worldwide basis, but operations are in Malaysia, Sri Lanka, the United Kingdom, Vietnam and other countries.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates and joint ventures) and deferred tax assets.

Group	Geographical information			
	Revenue	Non-current assets	Revenue	Non-current assets
	2021 RM'000	2021 RM'000	2020 RM'000	2020 RM'000
Malaysia	176,777	221,764	189,273	55,293
United States	95,000	-	-	-
Sri Lanka	1,731	-	3,792	-
India	6,022	-	-	-
The United Kingdom	2,077	7,083	1,002	7,397
Vietnam	2,331	38	-	57
Other countries	2,955	-	81	-
	286,893	228,885	194,148	62,747

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29. OPERATING SEGMENTS (CONTINUED)**MAJOR CUSTOMERS**

The Group did not specifically rely on concentrated customers as majority of the revenue of the Group are contract based. The following are major customers with revenue equal or more than 10% of the Group's total revenue:

All common control of Companies:	Revenue		Segment
	2021 RM'000	2020 RM'000	
- Customer A	72,479	-	Healthcare
- Customer B	69,686	65,301	Construction
- Customer C	25,363	19,951	Construction

30. FINANCIAL INSTRUMENTS**30.1 Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC")
- (b) Fair value through profit or loss ("FVTPL")

2021	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	31,975	-	31,975
Trade and other receivables	122,602	122,602	-
Cash and cash equivalents	120,536	120,536	-
	275,113	243,138	31,975
Company			
Other investments	4,901	-	4,901
Trade and other receivables	302,370	302,370	-
Cash and cash equivalents	81,859	81,859	-
	389,130	384,229	4,901

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Categories of financial instruments (continued)

2020	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	18,336	-	18,336
Trade and other receivables	141,125	141,125	-
Cash and cash equivalents	142,836	142,836	-
	302,297	283,961	18,336
Company			
Other investments	8,932	-	8,932
Trade and other receivables	283,816	283,816	-
Cash and cash equivalents	103,429	103,429	-
	396,177	387,245	8,932
2021			
Financial liabilities			
Group			
Loans and borrowings		(39,432)	(39,432)
Trade and other payables		(102,849)	(102,849)
		(142,281)	(142,281)
Company			
Loans and borrowings		(5,000)	(5,000)
Trade and other payables		(25,233)	(25,233)
		(30,233)	(30,233)
2020			
Financial liabilities			
Group			
Loans and borrowings		(32,065)	(32,065)
Trade and other payables		(77,358)	(77,358)
		(109,423)	(109,423)
Company			
Trade and other payables		(23,996)	(23,996)

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30. FINANCIAL INSTRUMENTS (CONTINUED)**30.2 Net gains and losses arising from financial instruments**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss	(3,296)	4,108	(3,296)	4,108
Financial assets at amortised cost	2,422	818	4,918	5,393
Financial liabilities measured at amortised cost	(3,827)	(2,304)	79	(1)
	(4,701)	2,622	1,701	9,500

30.3 Financial risk management

The Group and the Company have exposure to the following risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

30.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to the subsidiaries.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Notes to the Financial Statements

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:

	Group	
	2021	2020
	RM'000	RM'000
Domestic	126,753	110,622
Sri Lanka	2,949	6,945
United States	11,717	-
Vietnam	730	9,310
China	182	-
India	1,009	4,177
United Kingdom	110	2,203
Thailand	-	2,058
	143,450	135,315

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30. FINANCIAL INSTRUMENTS (CONTINUED)**30.4 Credit risk (continued)****Trade receivables and contract assets (continued)***Recognition and measurement of impairment losses*

For construction contracts, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at the end of the reporting period.

Group	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2021			
Not past due	121,614	-	121,614
Past due 1 - 30 days	3,250	-	3,250
Past due 31 - 60 days	326	-	326
Past due 61 - 90 days	2,489	-	2,489
	127,679	-	127,679
Credit impaired			
More than 90 days past due	15,521	-	15,521
Individually impaired	6,439	(6,189)	250
	149,639	(6,189)	143,450
Trade receivables	105,492	(6,189)	99,303
Contract assets	44,147	-	44,147
	149,639	(6,189)	143,450
2020			
Not past due	124,630	-	124,630
Past due 1 - 30 days	1,212	-	1,212
Past due 31 - 60 days	2,474	-	2,474
Past due 61 - 90 days	319	-	319
	128,635	-	128,635
Credit impaired			
More than 90 days past due	6,424	-	6,424
Individually impaired	6,542	(6,286)	256
	141,601	(6,286)	135,315
Trade receivables	79,658	(6,286)	73,372
Contract assets	61,943	-	61,943
	141,601	(6,286)	135,315

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Although certain trade receivables have become past, the Directors are reasonably confident that all debts can be recovered within the next 12 months.

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

Group	Credit impaired RM'000	Total RM'000
At 1 January 2020	(6,101)	(6,101)
Net remeasurement of loss allowance	(185)	(185)
At 31 December 2020/1 January 2021	(6,286)	(6,286)
Net remeasurement of loss allowance	97	97
At 31 December 2021	(6,189)	(6,189)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group and the Company manage their balances and deposits with banks and financial institutions by monitoring their credit ratings on an ongoing basis.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Exposure to credit risk, credit quality and collateral

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

30. FINANCIAL INSTRUMENTS (CONTINUED)**30.4 Credit risk (continued)****Financial guarantees**

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and joint ventures. The Company monitors on an ongoing basis the results of both subsidiaries and joint ventures as well as repayments made by both subsidiaries and joint ventures.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM68,966,000 (2020: RM74,445,000) representing the outstanding banking facilities of the subsidiaries and joint ventures that was supported by the financial guarantee issued by the Company as at end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' and joint ventures' secured loans.

As at the end of the reporting period, there was no indication that the subsidiaries and joint ventures would default on repayment. There was no financial guarantee recognised at financial year end.

Other receivables

Risk management objectives, policies and processes for managing the risk

Credit risks on other receivables are mainly arising from deposits paid for office buildings, fixtures rented and utilities. These deposits will be received at the end of each lease term. The Group manages the credit risk together with the leasing arrangement.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

As at the end of the reporting period, the Company did not recognise any allowance for impairment losses.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Other receivables (continued)

Recognition and measurement of impairment loss (continued)

The Group determines the probability of default for these debts individually. The movement in the allowance for impairment in respect of other receivables during the year is as follow:

Group	Credit impaired RM'000	Total RM'000
At 1 January 2020	1,152	1,152
Net remeasurement of loss allowance	2,726	2,726
At 31 December 2020/1 January 2021/31 December 2021	3,878	3,878

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries, associates and joint ventures. The Company monitors the results of the subsidiaries, associates and joint ventures regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their respective carrying amounts in the statements of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries, associates and joint ventures have low credit risk. The Company considers a subsidiary, associate and joint venture's loan or advance to be credit impaired when:

- The subsidiary, associate or joint venture is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary, associate or joint venture is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

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30. FINANCIAL INSTRUMENTS (CONTINUED)**30.4 Credit risk (continued)****Inter-company loans and advances (continued)**

Recognition and measurement of impairment loss (continued)

The movement in the allowance for impairment in respect of subsidiaries' advances during the year is as follows:

Company	Credit impaired RM'000	Total RM'000
At 1 January 2020	14,081	14,081
Amounts written off	(3,702)	(3,702)
Net remeasurement of loss allowance	319	319
At 31 December 2020/1 January 2021/31 December 2021	10,698	10,698

30.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arise principally from their various payables, lease liabilities, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2021	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
<i>Non-derivative financial liabilities</i>							
Term loans (secured)	3,540	4.00 - 10.06%	4,378	828	610	1,709	1,231
Term loans (unsecured)	4,087	3.85 - 12.75%	4,214	580	1,254	720	1,660
Invoice financing (unsecured)	7,055	3.44%	7,055	7,055	-	-	-
Bank overdraft (unsecured)	11	8.15 - 8.40%	11	11	-	-	-
Finance lease liabilities	6,432	1.48 - 6.27%	6,609	511	5,236	862	-
Bankers' acceptance (unsecured)	8,620	2.21 - 3.34%	8,620	8,620	-	-	-
Revolving credits	5,000	4.58%	5,000	5,000	-	-	-
Lease liabilities	2,644	5.32 - 7.65%	2,285	1,436	805	44	-
Trust receipts (unsecured)	4,529	7.2%	4,529	4,529	-	-	-
Trade and other payables	102,849	-	102,849	91,662	9,155	2,032	-
	144,767		145,550	120,232	17,060	5,367	2,891
Company							
<i>Non-derivative financial liabilities</i>							
Financial guarantees	-	-	68,966	68,966	-	-	-
Revolving credit	5,000	4.58%	5,000	5,000	-	-	-
Trade and other payables	25,233	-	25,233	25,233	-	-	-
	30,233		99,199	99,199	-	-	-

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

2020	Group	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
	<i>Non-derivative financial liabilities</i>						
	Term loans (secured)	3,084	4.50 - 9.00%	3,119	209	448	2,462
	Invoice financing (unsecured)	17,806	3.43 - 4.85%	17,806	17,806	-	-
	Bank overdraft (unsecured)	730	8.15 - 8.40%	730	730	-	-
	Finance lease liabilities	4,018	1.48 - 6.27%	4,339	2,150	1,118	1,071
	Bankers' acceptance (unsecured)	6,427	2.28 - 3.29%	6,427	6,427	-	-
	Lease liabilities	2,818	5.32 - 7.65%	3,159	1,562	1,073	524
	Trade and other payables	77,358	-	77,358	67,606	7,957	1,795
		112,241		112,938	96,490	10,596	5,852
	Company						
	<i>Non-derivative financial liabilities</i>						
	Financial guarantees	-	-	74,445	74,445	-	-
	Trade and other payables	23,996	-	23,996	23,996	-	-
		23,996		98,441	98,441	-	-

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Price risk of the Group and of the Company is not significant.

30.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD"), United States Dollar ("USD"), Sri Lanka Rupee ("LKR"), Indian Rupee ("INR"), Great Britain Pound ("GBP"), Vietnam Dong ("VND") and Australia Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

The Group ensures that the net exposure is kept to an acceptable level by monitoring the fluctuation of the foreign currencies.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in						
	SGD RM'000	USD RM'000	LKR RM'000	INR RM'000	GBP RM'000	VND RM'000	AUD RM'000
2021							
Group							
Trade receivables	-	11,717	2,949	1,009	110	730	-
Cash and cash equivalents	43,803	5,774	2,911	399	24,220	1,280	13,793
Trade payables	-	-	(528)	-	-	(216)	-
Contract assets	-	-	-	-	-	-	-
Net exposure	43,803	17,491	5,332	1,408	24,330	1,794	13,793
2020							
Group							
Trade receivables	-	22	3,880	153	2,203	7,361	-
Cash and cash equivalents	42,973	5,639	4,067	52	23,058	1,219	14,069
Trade payables	-	-	(388)	(15)	-	(2,091)	-
Contract assets	-	-	3,065	4,024	-	1,949	-
Net exposure	42,973	5,661	10,624	4,214	25,261	8,438	14,069

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30. FINANCIAL INSTRUMENTS (CONTINUED)**30.6 Market risk (continued)****30.6.1 Currency risk (continued)***Currency risk sensitivity analysis*

Foreign currency risk arises from Group entities which have Ringgit Malaysia as functional currency. The exposure to currency risk of Group entities which do not have a Ringgit Malaysia functional currency is not material and hence, sensitivity analysis is not performed.

A 10 percent strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss	
	2021 RM'000	2020 RM'000
SGD	(3,329)	(3,266)
USD	(1,329)	(430)
LKR	(405)	(807)
INR	(107)	(320)
GBP	(1,849)	(1,920)
VND	(136)	(641)
AUD	(1,048)	(1,069)
	(8,203)	(8,453)

A 10 percent weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect to the amounts shown on the above currencies, on the basis that all other variables remain constant.

30.6.2 Interest rate risk

The Group's and the Company's investments in fixed rate debt securities, lease liabilities and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrowed for operations at variable rates using its overdrafts, revolving credit, bankers' acceptance and term loan facilities, and use fixed rate lease liabilities and finance lease agreements to finance capital expenditure. Deposits are placed with established banks or financial institutions at the prevailing market rate.

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SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	53,848	63,770	249,270	252,954
Financial liabilities	(9,076)	(6,836)	-	-
	44,772	56,934	249,270	252,954
Floating rate instruments				
Financial assets	9,892	18,800	4,392	5,000
Financial liabilities	(33,000)	(28,047)	(5,000)	-
	(23,108)	(9,247)	(608)	5,000

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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30. FINANCIAL INSTRUMENTS (CONTINUED)**30.6 Market risk (continued)****30.6.2 Interest rate risk (continued)***Interest rate risk sensitivity analysis (continued)**Cash flow sensitivity analysis for variable rate instruments (continued)*

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2021				
Floating rate instruments	(176)	176	(5)	5
2020				
Floating rate instruments	(70)	70	38	(38)

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

2021	Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount	
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
	Financial assets											
	Other investments	4,901	22,074	5,000	31,975	-	-	-	-	31,975	31,975	
	Financial liabilities											
	Term loans (secured)	-	-	-	-	-	-	(3,178)	(3,178)	(3,178)	(3,540)	
	Term loans (unsecured)	-	-	-	-	-	-	(3,915)	(3,915)	(3,915)	(4,087)	
	Finance lease liabilities	-	-	-	-	-	-	(6,207)	(6,207)	(6,207)	(6,432)	
		-	-	-	-	-	-	(13,300)	(13,300)	(13,300)	(14,059)	
	Company											
	Financial assets											
	Other investments	4,901	-	-	4,901	-	-	-	-	4,901	4,901	

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30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information (continued)

2020	Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount	
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000			
	Financial assets											
	Other investments	8,932	9,404	-	18,336	-	-	-	-	18,336	18,336	
	Financial liabilities											
	Term loans (secured)	-	-	-	-	-	-	(3,084)	(3,084)	(3,084)	(3,084)	(3,084)
	Finance lease liabilities	-	-	-	-	-	-	(3,845)	(3,845)	(3,845)	(4,018)	(4,018)
		-	-	-	-	-	-	(6,929)	(6,929)	(6,929)	(7,102)	(7,102)

Company**Financial assets**

Other investments	8,932	-	-	8,932	-	-	-	-	-	8,932	8,932
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Level 1 fair value*Investment in equity securities*

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Level 2 fair value

The fair value is calculated based on the net assets value of cash management fund as advised by financial institutions.

Level 3 fair value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable used in the valuation models.

Type	Description of valuation technique and input used
Other investment	Discounted cash flows using a rate based on the current market rate at the reporting date

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information (continued)

Level 3 fair value (continued)

Non-derivative financial asset and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the interest rate determined at the end of the reporting period.

For finance leases, the market rate of interest is determined by reference to similar lease agreements. For secured and unsecured term loans, the carrying amounts approximate the fair value as they bear variable rates of interest determined based on a margin over the lender bank's base lending rate.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2021	2020
Group		
Finance lease liabilities	3.02%	3.05%
Company		
Finance lease liabilities	-	-

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 December 2021 and at 31 December 2020 were as follows:

	Group	
	2021 RM'000	2020 RM'000
Total loans and borrowings (Note 18)	39,432	32,065
Lease liabilities	2,644	2,818
Less: Cash and cash equivalents (Note 15)	(120,536)	(142,836)
Net debt	(78,460)	(107,953)
Total equity	494,429	467,763
Debt-to-equity ratio	-	-

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31. CAPITAL MANAGEMENT (CONTINUED)

There was no change in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

The Group is also required to maintain a debt-to-equity ratio at no more than 1.25 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has complied with this requirement.

32. RELATED PARTIES**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its subsidiaries (see Note 7), associates (see Note 8), joint ventures (see Note 9) and key management personnel (see Note 21).

Transactions with key management personnel**Key management personnel compensation**

Key management personnel compensation is disclosed in Note 21.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 12 and 19.

	Transaction value for year ended 31 December	
	2021 RM'000	2020 RM'000
Company		
Subsidiaries		
- interest income	(4,681)	(4,197)

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

33. CAPITAL AND OTHER COMMITMENTS

	Group	
	2021 RM'000	2020 RM'000
Capital expenditure commitments		
Plant and equipment		
Contracted but not provided for	605	2,527

34. ACQUISITION OF SUBSIDIARY

34.1 Acquisition of JR Engineering And Medical Technologies (M) Sdn. Bhd.

Nusantara Jasakita Sdn Bhd (“NJSB”), a 90%-owned subsidiary of Salcon Berhad has on 12 November 2020 entered into a Share Sale Agreement (“SSA”) with Ganesan A/L Subramaniam (“Ganesan”) for the acquisition of 1,020,000 ordinary shares, representing 51% of the total issued share capital in JR Engineering And Medical Technologies (M) Sdn Bhd (“JREMT”) for a total cash consideration of RM28,560,000.00 only (“Acquisition”).

NJSB, Ganesan, Hamen A/L Ganesan (“Hamen”) and JREMT had on 12 March 2021 entered into a Shareholders Agreement to regulate their relationship as shareholders of JREMT, and to govern the management, obligations, rights, commitments, affairs and/or dealings in relation to JREMT.

The Acquisition was completed on 12 March 2021. JREMT is principally involved in the business of manufacturing and trading of latex, nitrile and medical gloves, and provision of turnkey advisory and consultancy services for rubber glove players.

Subsequently on 10 May 2021, Salcon completed the acquisition for the remaining 10.00% equity interest in NJSB for a cash consideration of RM2.86 million. As such, NJSB has become a wholly-owned subsidiary of Salcon and JREMT became a 51%-owned subsidiary of NJSB.

The contribution of revenue and profit after tax from this subsidiary from 12 March 2021 to 31 December 2021 was RM132,844,000 and RM12,754,000 respectively.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred	Group 2021 RM'000
Cash and cash equivalents	28,560

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34. ACQUISITION OF SUBSIDIARY (CONTINUED)**34.1 Acquisition of JR Engineering And Medical Technologies (M) Sdn. Bhd. (continued)**

Identifiable assets acquired and liabilities assumed	Note	Group 2021 RM'000
Property, plant and equipment	3	34,026
Right-of-use asset	4	489
Intangible assets	5	6,900
Investment property	6	729
Inventories		11,644
Trade and other receivables		19,444
Cash and cash equivalents		11,304
Loans and borrowings		(8,066)
Deferred tax liabilities		(6,371)
Trade and other payables		(36,858)
Lease liabilities		(497)
Current tax liabilities		(2,138)
Total identifiable net assets		30,606

Net cash outflow arising from acquisition of subsidiary	Group 2021 RM'000
Purchase consideration settled in cash and cash equivalents	(28,560)
Cash and cash equivalents acquired	11,304
	(17,256)

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	Note	Group 2021 RM'000
Total consideration transferred		28,560
Fair value of identifiable net assets		(30,606)
Non-controlling interest		16,558
Goodwill	5	(14,512)

Notes to the Financial Statements

SALCON BERHAD [200201026133 (593796-T)]

35. SIGNIFICANT EVENTS

Significant events during the year are as follows:

35.1 Dissolution of Salcon Changzhou (HK) Limited

On 11 February 2021, Salcon Changzhou (HK) Limited, a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Changzhou (HK) Limited has been struck off the register of companies. The loss from the dissolution of the subsidiary of RM1,627,000 is attributable to the owners of the Group.

35.2 Dissolution of Wisdom Sports (M) Sdn Bhd

On 1 February 2021, Wisdom Sports (M) Sdn Bhd (In Liquidation) ("WSSB"), a 23%-owned associate of Salcon Berhad had convened its final meeting to conclude the member's voluntary winding-up of WSSB. The winding up has been conducted. An explanation of the account for the period from 8 November 2020 (commencement of winding up) to 1 February 2021 (final meeting) was provided. Upon completion of the voluntary winding up, (i.e. three (3) months after the lodgement of the Return by Liquidator relating to Final Meeting pursuant to Section 459(5) of the Companies Act 2016 with the Companies Commission of Malaysia and the Official Receiver), WSSB is deemed dissolved and shall cease to be an associate of the Group. The loss from the dissolution of the associate of RM269,000 is attributable to the owners of the Group.

35.3 Disposal of Salcon Petroleum Services Sdn. Bhd.

Salcon Berhad and Kunci Sempurna Sdn Bhd ("KSSB") had on 29 June 2021 entered into a Sale and Purchase Agreement with the following:-

- a) Ahmad Hasbullah Bin Husain;
- b) Mohd Sabri Bin Haji Ahmad;
- c) Thomas Alexander Sjberg;
- d) Sven Tierney; and
- e) Tan P Caine

for the disposal of a total of 3,934,000 ordinary shares, representing the entire 49% equity interest in Salcon Petroleum Services Sdn Bhd ("SPSSB") by the Company and KSSB, for a total cash consideration of RM52,000 only. Following the disposal, SPSSB ceased to be an associate of the Company. The loss from the disposal of the associate of RM159,000 is attributable to the owners of the Group.

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36. COMPARATIVE NOTES

The following comparatives of the Group have been reclassified to conform with current year's presentation.

	2020	
	As restated RM'000	As previously stated RM'000
Statements of financial position		
Assets		
Current		
Contract assets	61,943	65,288
Contract cost	4,593	-
	66,536	65,288
Liabilities		
Non-current		
Trade and other payables	9,752	-
Current		
Trade and other payables	67,606	77,358
Contract liabilities	8,422	7,174
	76,028	84,532

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

SALCON BERHAD [200201026133 (593796-T)]

In the opinion of the Directors, the financial statements set out on pages 109 to 211 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Tee Tiam Lee

Director

Dato' Leong Kok Wah

Director

Kuala Lumpur

Date: 22 April 2022

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

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I, Leong Yi Shen, the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 109 to 211 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Leong Yi Shen, NRIC: 900705-14-6055, MIA CA 42328 at Kuala Lumpur in the Federal Territory on 22 April 2022.

Leong Yi Shen

Before me:

Rajeev Saigal

(W681)

Commissioner for Oaths

Kuala Lumpur

Independent Auditors' Report

to the members of Salcon Berhad (Registration No. 200201026133 (593796-T)) (Incorporated in Malaysia)

SALCON BERHAD [200201026133 (593796-T)]

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 109 to 211.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from construction contracts

Refer to Note 2(q) - Significant accounting policy: Revenue and other income and Note 20 - Revenue.

The key audit matter

The Group had a revenue of RM136 million from construction contracts for the year ended 31 December 2021.

We have identified the revenue from construction contracts as a key audit matter as it requires management to exercise significant judgement with respect to estimated total costs of the contracts at completion and stage of completion of the constructions.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

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How the matter was addressed in our audit (continued)

- Challenged senior operational, commercial and financial management's judgement by obtaining and assessing information to support the budget which includes suppliers' quotations and awarded sub-contracts;
- Read board of directors' meetings on the progress of the projects and compared the status of the projects to the financial records;
- Obtained and agreed the contract sums, variation orders and extension of time to supporting documentations;
- Discussed with management and compared the stage of completion to supporting documents and acceptance of billings by customers.

Accounting for business combination and goodwill Impairment assessment for Healthcare Cash-Generating Unit ("CGU")

Refer to Note 2(f)(i) - Significant accounting policy: Intangible assets (Goodwill); Note 2(a)(ii) - Significant accounting policy: Basis of consolidation (Business Combinations); Note 5 - Intangible assets (Goodwill) and Note 34.1 - Acquisition of JR Engineering and Medical Technologies (M) Sdn. Bhd. ("JREMT").

The key audit matter

The Group completed its acquisition of JREMT on 12 March 2021 for a purchase consideration of RM28.56 million.

We have identified this acquisition of business as a key audit matter as it requires significant management judgement in determining the purchase price allocation and testing for goodwill impairment.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- read the sale and purchase agreement and shareholders agreement to determine whether assets and liabilities (including intangible assets) have appropriately been identified and accounted for;
- compared the purchase consideration to sale and purchase agreement;
- evaluated the appropriateness of the key estimates and assumptions used in the cash flows projection, for the purpose of testing the goodwill impairment by comparing, in particular, discount rate, gross profit margin and growth rate, to internally and externally derived sources; and
- assessed the adequacy of the disclosures about those key assumptions in the financial statements.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Independent Auditors' Report

to the members of Salcon Berhad (Registration No. 200201026133 (593796-T)) (Incorporated in Malaysia)

SALCON BERHAD [200201026133 (593796-T)]

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Selangor
Date: 22 April 2022

Chua See Guan

Approval Number: 03169/02/2023 J
Chartered Accountant

Particulars of Group Properties

SALCON BERHAD [200201026133 (593796-T)]

The properties of the Group as at 31 December 2021 and their net book values (“NBV”) are indicated below:

FREEHOLD BUILDINGS AND LAND

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/Revaluation	NBV RM'000
Envitech Sdn Bhd	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	149 sq. metres of intermediate unit 1½ storey terraced factory	25 years	14/03/2002	225
Envitech Sdn Bhd	HS(D) 3422, Lot No. 3988, Mukim Damansara, Daerah Petaling, Selangor/No. 67, Jalan SS15/5A, 47500 Subang Jaya, Selangor Darul Ehsan	164 sq. metres of intermediate unit 3 storey terraced shop-office	42 years	15/03/2002	744
Eco-Coach & Tours (M) Sdn Bhd	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1201 sq. metres of 1½ storey semi-detached factory	16 years	23/01/2013	922
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	836 sq. metres of 1½ storey semi-detached factory	16 years	23/01/2013	922
					2,813

LEASEHOLD BUILDING AND LAND

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/Revaluation	NBV RM'000
JR Engineering And Medical Technologies (M) Sdn Bhd	No. 11, Jalan Indah 2, Taman Serendah Indah, 48200 Serendah, Selangor Darul Ehsan	47,250 sq. ft. of factory building	99 years leasehold expiring on 29/12/2115	28/02/2021	533
					533

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INVESTMENT PROPERTIES

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Bungalow Lot No. BB-034 Bandar Mahkota Banting, measuring an area approximately 465 square metres bearing postal address at No. 42, Jalan Angkasa 1A/5 Bandar Mahkota Banting, 42700 Banting, Selangor held under master title Geran 100210 Lot 19601 Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor	465 sq. metres of bungalow plot	13 years	22/10/2009	89
Envitech Sdn Bhd	Unit No. 2, Corner Ground Floor, Block E Shop & Office At Pulau Melaka	3,358 sq. ft. of corner ground shop & office	12 years	1/11/2011	781
Envitech Sdn Bhd	Unit No. 7, Intermediate Ground Floor, Block .K Shop & Office At Pulau Melaka	1,540 sq. ft. of intermediate ground shop & office	12 years	1/11/2011	367
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	12 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	12 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	12 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	12 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	12 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	12 years	10/11/2011	306
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	12 years	10/11/2011	406
Envitech Sdn Bhd	Unit No. Parcel 12A, 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	10 years	22/11/2012	367
Envitech Sdn Bhd	Unit No. Parcel 12, Lot 151 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	10 years	22/11/2012	372
Envitech Sdn Bhd	Unit No. Parcel 10, Lot 152 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	10 years	22/11/2012	338

Particulars of Group Properties

SALCON BERHAD [200201026133 (593796-T)]

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/Revaluation	NBV RM'000
Envitech Sdn Bhd	Unit No. Parcel 8, Lot 153 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	10 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 6, 154 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	10 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 2A, Lot 155 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	10 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 27-1, Lot 329 (55-1), 1 st Floor, Block U Shop & Office At Pulau Melaka	3,007 sq. ft. of corner shop	10 years	22/11/2012	301
Envitech Sdn Bhd	Unit No. Parcel 28-1, Lot 315 (41-1), 1 st Floor, Block S Shop & Office At Pulau Melaka	2,626 sq. ft. of corner shop	10 years	22/11/2012	323
Envitech Sdn Bhd	Unit No. Parcel 21-1, Lot 338 (84-1), 1 st Floor, Block W Shop & Office At Pulau Melaka	2,885 sq. ft. of corner shop	10 years	22/11/2012	289
Envitech Sdn Bhd	Unit No. Parcel 61-2A, Lot 207 (191-2A), 2 nd Floor, Block J Shop & Office At Pulau Melaka	1,531 sq. ft. of corner shop	10 years	22/11/2012	201
Envitech Sdn Bhd	Unit No. Parcel 61-2B, Lot 207 (191-2B), 2 nd Floor, Block J Shop & Office At Pulau Melaka	1,418 sq. ft. of corner shop	10 years	22/11/2012	136
Envitech Sdn Bhd	42, Jalan Gunung Nuang U11/45, Bukit Bandaraya Shah Alam, 40170 Shah Alam, Selangor	2,125 sq. ft. of double storey house	2 years	26/12/2019	707
Envitech Sdn Bhd	44, Jalan Gunung Nuang U11/45, Bukit Bandaraya Shah Alam, 40170 Shah Alam, Selangor	2,125 sq. ft. of double storey house	2 years	26/12/2019	707
Envitech Sdn Bhd	C-21-06, Setia City Residences @ Setia City, Persiaran Setia Dagang, Setia Alam, 40170 Shah Alam, Selangor	79.71 sq. metres of service residence	-	18/10/2021	482
Envitech Sdn Bhd	C-25-06, Setia City Residences @ Setia City, Persiaran Setia Dagang, Setia Alam, 40170 Shah Alam, Selangor	79.71 sq. metres of service residence	-	18/10/2021	485
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1.	1,555 sq. ft. of service apartment	14 years	31/12/2015	550
JR Engineering And Medical Technologies (M) Sdn Bhd	No. 27, Jalan SL 2/2, Bandar Sungai Long, 43000 Kajang, Selangor	1,650 sq. ft. of intermediate double storey house	17 years	28/02/2021	689
					10,547

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LAND HELD FOR PROPERTY DEVELOPMENT

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Nusantara Megajuta Sdn Bhd	H.S.(D) 482930, No P.T.B. 22841, Bandar Johor Bahru, Daerah Johor Bahru, Johor Darul Ta'zim	10,077 sq. metres	99 years leasehold expiring on 7/6/2109	14/10/2014	21,305
Nusantara Megajuta Sdn Bhd	H.S.(D) 482931, No P.T.B. 22842, Bandar Johor Bahru, Daerah Johor Bahru, Johor Darul Ta'zim	41,399 sq. metres	99 years leasehold expiring on 7/6/2109	14/10/2014	87,526
					108,831

Analysis of Shareholdings and Warrantholdings

as at 31 March 2022

SALCON BERHAD [200201026133 (593796-T)]

I. Analysis of Shareholdings

Number of issued shares	: 1,012,413,655 ordinary shares (including 25,055,649 treasury shares)
Class of shares	: Ordinary share
Voting rights:	: One(1) vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Shares (%)
Less than 100	2,824	129,770	0.013
100 – 1,000	1,396	393,363	0.039
1,001 – 10,000	3,077	14,254,650	1.443
10,001 – 100,000	5,518	166,075,304	16.820
100,001 – less than 5% of issued shares	1,111	645,084,211	65.334
5% and above of issued shares	2	161,420,708	16.348
Total	13,928	987,358,006	100.00

List of Substantial Shareholders

Name of Substantial Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	Percentage of Issued Shares (%)	No. of Shares	Percentage of Issued Shares (%)
Naga Muhibah Sdn. Bhd.	96,287,800	9.752	-	-
Tan Sri Dato' Tee Tiam Lee	55,723,992	5.644	65,132,908 ⁽¹⁾	6.597
Datin Goh Phaik Lynn	-	-	96,287,800 ⁽²⁾	9.752
	-	-	433,010 ⁽³⁾	0.044
	-	-	5,196,194 ⁽⁴⁾	0.526
Dato' Leong Kok Wah	5,196,194	0.526	433,010 ⁽³⁾	0.044
			96,287,800 ⁽⁵⁾	9.752
Tee Xun Hao	225,165	0.023	65,132,908 ⁽¹⁾	6.597
Infra Tropika Sdn Bhd	65,132,908	6.597	-	-

Notes:

- (1) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (2) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
- (4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
- (5) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

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List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Outstanding Warrants (%)
1	NAGA MUHIBAH SDN BHD	96,287,800	9.752
2	INFRA TROPIKA SDN BHD	65,132,908	6.597
3	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN.BHD. EXEMPT AN FOR INTER-PACIFIC ASSET MANAGEMENT SDN BHD	43,129,800	4.368
4	LEE THIAM LAI	40,465,365	4.098
5	TAN HENG TA	37,000,436	3.747
6	TAN SRI DATO' TEE TIAM LEE	36,944,762	3.741
7	KONG HON KONG	33,619,962	3.405
8	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	18,779,230	1.902
9	TENG LI LING	11,996,265	1.214
10	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH BENG KHIM (MY3941)	11,346,866	1.149
11	CHIN CHIN SEONG	10,255,646	1.038
12	PEMBINAAN PUNCA CERGAS SDN. BHD.	9,097,777	0.921
13	LIM KIM HAI SALES & SERVICES SDN BHD	6,870,200	0.695
14	LOW KHEK HENG @ LOW CHOON HUAT	6,068,618	0.614
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	5,196,194	0.526
16	CHIN CHIN SEONG	4,609,953	0.466
17	YEAT SIAW PING	4,109,264	0.416
18	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN.BHD. PLEDGED SECURITIES ACCOUNT FOR PANTAI CEMERLANG SDN BHD	4,000,000	0.405
19	GHS STRATEGIC HOLDINGS SDN BHD	3,809,173	0.385
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	3,709,108	0.375
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	3,664,744	0.371
22	DATO' SERI (DR.) GOH ENG TOON	3,319,789	0.336
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	3,113,613	0.315
24	GOH SENG KUANG	3,066,666	0.310

Analysis of Shareholdings and Warrantholdings

as at 31 March 2022

SALCON BERHAD [200201026133 (593796-T)]

No.	Name of Shareholders	No. of Shares	Percentage of Outstanding Warrants (%)
25	TEO YU HONG	3,000,022	0.303
26	OOI CHENG SWEE @ WEE KWEE SWEE	2,850,688	0.288
27	GOH HOOI YIN	2,760,000	0.279
28	JFCB HOLDINGS SDN BHD	2,682,328	0.271
29	DATO' CHOONG MOH KHENG	2,666,647	0.270
30	DATO' DR. FREEZAILAH BIN CHE YEOM	2,526,504	0.255
		482,080,328	48.825

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Directors' Shareholdings

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares	Percentage of Issued Shares (%)	No. of Shares	Percentage of Issued Shares (%)
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	55,723,992	5.644	65,358,073 ⁽¹⁾	6.619
Dato' Leong Kok Wah	5,196,194	0.526	433,010 ⁽²⁾	0.044
	-	-	96,287,800 ⁽³⁾	9.752
Datin Goh Phaik Lynn	-	-	433,010 ⁽²⁾	0.044
	-	-	5,196,194 ⁽⁴⁾	0.526
	-	-	96,287,800 ⁽⁵⁾	9.752
Dato' Choong Moh Kheng	2,666,647	0.270	9,097,777 ⁽⁶⁾	0.921
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:

- (1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through shares held by child (Tee Xun Hao)
- (2) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
- (3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
- (5) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (6) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

Analysis of Shareholdings and Warrantholdings

as at 31 March 2022

SALCON BERHAD [200201026133 (593796-T)]

II. Analysis of Warrantholdings

Number of outstanding Warrant B	: 336,566,643
Exercise price	: RM0.30 per warrant
Exercise period	: 20 July 2018 to 19 July 2025
Exercise rights	: Each warrant entitles the holder to subscribe for one new ordinary share in the Company
Voting rights	: Not entitled to voting rights*

* Warrantholders are not entitled to any voting rights except for the events of winding-up, compromise or arrangement of the Company as set out in the Deed Poll dated 29 June 2018.

Distribution of Warrantholdings

Size of Warrantholdings	Number of Warrantholders	Number of Warrants	Percentage of Outstanding Warrants (%)
Less than 100	2,631	94,727	0.028
100 – 1,000	731	317,587	0.094
1,001 – 10,000	3,170	13,555,122	4.027
10,001 – 100,000	1,973	64,589,222	19.190
100,001 – less than 5% of outstanding warrants	419	181,610,551	53.959
5% and above of outstanding warrants	3	76,399,434	22.699
Total	8,927	336,566,643	100.00

List of 30 Largest Warrantholders

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
1	NAGA MUHIBAH SDN BHD	35,207,844	10.461
2	INFRA TROPIKA SDN BHD	23,815,990	7.076
3	TAN SRI DATO' TEE TIAM LEE	17,375,600	5.162
4	RAJA MUHAMMAD BIN RAJA OMAR	4,750,000	1.411
5	NURAIMAN BIN JAAFAR	4,500,000	1.337
6	TEO YU HONG	4,164,100	1.237
7	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR TEO CHEE KOK	3,523,000	1.046
8	RHB NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	3,000,000	0.891
9	GAN CHING HAN @ PAUL NGAN CHING HAN	2,700,000	0.802
10	PEMBINAAN PUNCA CERGAS SDN. BHD.	2,500,000	0.743

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No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO CHEE YAN (030)	2,300,011	0.683
12	TEOH SENG LEE	2,200,000	0.653
13	LEE KUAN WOON	1,979,000	0.587
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH HANG KONG	1,928,550	0.573
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	1,900,000	0.565
16	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NYAM CHUN KEONG	1,750,000	0.519
17	LEE POH HUAT	1,684,800	0.500
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,638,500	0.486
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TENG YEE KENG (MY4314)	1,630,000	0.484
20	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR MUHAMMAD U-ZAIR BIN MD SUHUD	1,604,000	0.476
21	M.ELANGKUMARAN A/L MASLAMANY	1,500,000	0.445
22	AW YONG REN YONG	1,490,000	0.442
23	LEE BEE GEOK	1,474,300	0.438
24	MOHD SYAZUWAN BIN ABD JALIL	1,411,600	0.419
25	TAN GIN LEE @ TAN JIN LEE	1,400,000	0.415
26	GHS STRATEGIC HOLDINGS SDN BHD	1,392,833	0.413
27	PANG GO SONG	1,344,000	0.399
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,337,555	0.397
29	HO CHEE YAN	1,300,000	0.386
30	WONG MING LIONG	1,300,000	0.386
		134,101,683	39.844

Analysis of Shareholdings and Warrantholdings

as at 31 March 2022

SALCON BERHAD [200201026133 (593796-T)]

Directors' Warrantholdings

Name of Directors	Direct Interest		Indirect Interest	
	No. of Warrants	Percentage of Outstanding Warrants (%)	No. of Warrants	Percentage of Outstanding Warrants (%)
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	20,375,600	6.054	23,898,323 ⁽¹⁾	7.101
Dato' Leong Kok Wah	1,900,000	0.565	158,332 ⁽²⁾	0.047
	-	-	35,207,844 ⁽³⁾	10.461
Datin Goh Phaik Lynn	-	-	158,332 ⁽²⁾	0.047
	-	-	1,900,000 ⁽⁴⁾	0.565
	-	-	35,207,844 ⁽⁵⁾	10.461
Dato' Choong Moh Kheng	-	-	2,500,000 ⁽⁶⁾	0.743
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:

- (1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through warrants held by child (Tee Xun Hao)
- (2) Deemed interested through the warrants held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
- (3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (4) Deemed interested through the warrants held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
- (5) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
- (6) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

Notice of Nineteenth Annual General Meeting

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NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting (“**19th AGM**”) of Salcon Berhad (“**Company**”) will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur (“**Broadcast Venue**”) on Thursday, 23 June 2022 at 10:30 a.m., to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. *[Please refer to Explanatory Note 1 on Ordinary Business]*
2. To approve the payment of the final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2021. [Resolution 1]
3. To approve the payment of Directors’ fees of up to RM380,000 for the period from the conclusion of the Nineteenth Annual General Meeting until the next annual general meeting of the Company. [Resolution 2] *[Please refer to Explanatory Note 2 on Ordinary Business]*
4. To approve the payment of Directors’ benefits of up to an amount of RM220,000 for the period from the conclusion of the Nineteenth Annual General Meeting until the next annual general meeting of the Company. [Resolution 3] *[Please refer to Explanatory Note 2 on Ordinary Business]*
5. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Company’s Constitution:- *[Please refer to Explanatory Note 3 on Ordinary Business]*
 - (i) Tan Sri Abdul Rashid Bin Abdul Manaf [Resolution 4]
 - (ii) Dato’ Rosli Bin Mohamed Nor [Resolution 5]
6. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 6] *[Please refer to Explanatory Note 4 on Ordinary Business]*

SPECIAL BUSINESS

To consider and, if deemed fit, to pass, with or without modifications, the following ordinary resolutions:

7. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** *[Please refer to Explanatory Note 1 on Special Business]* [Resolution 7]

“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listing Requirements (“**Listing Requirements**”) and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer (“**New Shares**”) from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an

Notice of Nineteenth Annual General Meeting

SALCON BERHAD [200201026133 (593796-T)]

agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being (“**Proposed General Mandate**”).

THAT such approval on the Proposed General Mandate shall continue to be in force until:

- a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
- b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
- c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.”

8. **Proposed Renewal of Authority for Share Buy-Back**

*[Please refer to Explanatory
Note 2 on Special Business]
[Resolution 8]*

“THAT subject always to the Companies Act 2016 (“**Act**”), the Constitution of the Company, Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listing Requirements (“**Listing Requirements**”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of issued shares in the Company (“**Shares**”) purchased (“**Purchased Shares**”) and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

(“**Proposed Share Buy-Back**”).

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

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- (i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- (i) To cancel all or part of the Purchased Shares;
- (ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- (iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- (iv) To resell all or part of the treasury shares;
- (v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- (vi) To transfer all or part of the treasury shares as purchase consideration;
- (vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or
- (viii) To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

9. **Continuation in Office as Independent Director**

[Please refer to Explanatory Note 3 on Special Business]

[Resolution 9]

"THAT approval be and is hereby given for Dato' Choong Moh Kheng who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

10. To consider any other business of which due notice shall have been given.

Notice of Nineteenth Annual General Meeting

SALCON BERHAD [200201026133 (593796-T)]

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders of the Company at the 19th AGM to be held on 23 June 2022, a final dividend will be paid via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2021 (“**Share Dividends**”). The Share Dividends will be credited into Central Depository Securities (“**CDS**”) account of shareholders whose names appear in the Record of Depositors on 30 June 2022. Any fractional entitlement arising from the computation of Share Dividends entitlement will be disregarded.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- (a) Shares transferred into the depositor’s Securities Account before 4:30 p.m. on 30 June 2022 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Subject to the approval of Bursa Malaysia Depository Sdn Bhd (“**Bursa Depository**”) for the transfer of treasury shares under Share Buy-Back Account via bulk transfer method of debiting and crediting, the treasury shares to be distributed under the Share Dividends will be credited into the entitled CDS account maintained with Bursa Depository within 8 market days from the entitlement date.

BY ORDER OF THE BOARD

Wong Wai Foong [SSM PC No.: 202008001472 (MAICSA 7001358)]

Joanne Toh Joo Ann [SSM PC No.:202008001119 (LS 0008574)]

Company Secretaries

Kuala Lumpur

29 April 2022

NOTES:-

1. IMPORTANT NOTICE FOR VIRTUAL MEETING

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 19th AGM.

Members are to attend, speak (including posing questions to the Board of Directors (“**Board**”) via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the 19th AGM via the Remote Participation and Voting (“**RPV**”) facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedure in the Administrative Guide for the 19th AGM in order to participate remotely via RPV.

Shareholders are advised to check the Company’s website at www.salcon.com.my and announcements released to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) from time to time for any changes to the administration of the 19th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

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2. APPOINTMENT OF PROXY

- (a) For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM or appoint a proxy or proxies to participate on his/her/its behalf via RPV.
- (b) A member who is entitled to participate at this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV.
- (d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 (“**Central Depositories Act**”), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (f) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (g) A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV **must request his/her proxy or attorney or authorised representative to register himself/herself for RPV** via TIIH Online website at <https://tiih.online>. Procedures for RPV can be found in the Administrative Guide for the AGM.
- (h) The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via TIIH Online website at <https://tiih.online>. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of proxy form. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
- (i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (k) Last date and time for lodging this proxy form is Tuesday, 21 June 2022 at 10:30 a.m.

Notice of Nineteenth Annual General Meeting

SALCON BERHAD [200201026133 (593796-T)]

- (l) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
 - (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this item on the Agenda is not being put forward for voting by shareholders of the Company.

2. PAYMENT OF DIRECTORS' FEES AND BENEFITS

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The proposed Resolution 2 is to facilitate the payment of Directors' fees for the period from the conclusion of the 19th AGM up to the next AGM, calculated based on the current Board size. In the event the proposed amount of the Directors' fees is insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The Directors' benefits under proposed Resolution 3 comprises fixed meeting allowance payable to Non-Executive Directors for attendance at the Board and/or Board Committee meetings and other benefits for Executive Directors. The proposed amount is calculated based on the current Board size and the number of scheduled and/or special Board and Board Committees meetings for the period from the conclusion of the 19th AGM up to the next AGM.

In the event the proposed amount of Directors' benefits is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for the shortfall.

3. RE-ELECTION OF DIRECTORS

Tan Sri Abdul Rashid Bin Abdul Manaf and Dato' Rosli Bin Mohamed Nor are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 19th AGM.

The Board has through the Nomination Committee ("**NC**"), considered the assessment of Tan Sri Abdul Rashid Bin Abdul Manaf and Dato' Rosli Bin Mohamed Nor and agreed that they meet the criteria as prescribed by Paragraph 2.20A of Bursa Securities Main Market Listing Requirements ("**Listing Requirements**") on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

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The Board has also through the NC conducted an assessment on the independence of Tan Sri Abdul Rashid Bin Abdul Manaf and Dato' Rosli Bin Mohamed Nor and satisfied that they have complied with the criteria on independence as prescribed by Bursa Securities Listing Requirements. The Board recommended both Directors to be re-elected as the Directors of the Company based on the following justifications:-

- i) Tan Sri Abdul Rashid Bin Abdul Manaf, the Chairman of the Board and Independent Non-Executive Director of the Company, brings objectivity and is able to exercise independent judgment in leading the board deliberation. He ensures that every board member has the opportunity to actively participate and allow dissenting views to be freely expressed during the board meeting to make an informed decision. He is also leading the Board to review, challenge and decide on management's proposals for the Group, and monitor its implementation by management.
- ii) Dato' Rosli Bin Mohamed Nor as an Independent Non-Executive Director brings objectivity to the Board and a wealth of experience in the field of construction, trading and property development. He is able to exercise independent judgment during board deliberation and make decisions in the best interest of the Company. He is leading the Sustainability Committee in integrating the sustainability strategy into Group's business plan, overseeing the sustainability risks and opportunities in the businesses, and update the Board accordingly to ensure that the strategic plan of the Group supports long-term value creation and the strategies on economic, environmental and social considerations underpinning sustainability.

The profile of both Directors are set out in the Board of Directors' Profile of the Annual Report 2021.

4. RE-APPOINTMENT OF AUDITORS

The Board has through the Audit Committee, considered the re-appointment of Messrs KPMG PLT as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table the re-appointment of Messrs KPMG PLT at the forthcoming AGM, included an assessment of the Auditors' independence and objectivity, calibre and quality process/performance.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The proposed Resolution 7 is the renewal mandate obtained from the members at the last AGM. As at the date of this Notice, the Company did not allot any shares pursuant to the shareholders' mandate granted to the Directors at the last AGM held on 23 June 2021 as there were no requirements for such fund raising activities.

The proposed Resolution 7, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), business expansion, working capital and/or acquisition(s) at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

2. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The proposed Resolution 8, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 29 April 2022 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

Notice of Nineteenth Annual General Meeting

SALCON BERHAD [200201026133 (593796-T)]

3. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTOR

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine (9) years.

Dato' Choong Moh Kheng was appointed to the Board on 3 January 2011 as Independent Director. Hence, he has served for more than nine (9) years.

The NC and the Board had assessed the independence of Dato' Choong Moh Kheng and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justification:-

- (i) he fulfilled the criteria of an Independent Director pursuant to Bursa Securities Listing Requirements;
- (ii) he is familiar with the Company's business operations as he has been with the Company for a period of more than nine (9) years;
- (iii) his long tenure with the Company has neither impaired nor compromised his independent judgement. He is free from any business or other relationships which could interfere with his exercise of independent judgement. He continues to remain objective and is able to exercise independent judgement in expressing his views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company;
- (iv) he has devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company; and
- (v) he has exercised due care during his tenure as an Independent Director of the Company and carried out his duties in the interest of the Company and shareholders.

The proposed Resolution 9, if passed, will enable Dato' Choong Moh Kheng to continue to act as an Independent Non-Executive Director of the Company.

Global Reporting Initiative (GRI) Content Index

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This report includes the General Public Information Disclosures, in accordance with the three economic-environment-social standards.

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
1. Organisational Profile					
102-1	Name of the organisation	At a Glance	n/a	n/a	6
102-2	Activities, brands, products, and services	Management Discussion and Analysis - Divisional Operations Review	n/a	n/a	35
102-3	Location of headquarters	At a Glance	n/a	n/a	6
102-4	Location of operations	At a Glance	n/a	n/a	6
102-5	Ownership and legal form	Corporate Structure	n/a	n/a	8-9
102-6	Markets served	About Us	n/a	n/a	4-5
102-7	Scale of the organisation	At a Glance	n/a	n/a	6
102-8	Information on employees and other workers	Employee Demography	n/a	n/a	60
102-9	Supply chain	Supply Chain Management	n/a	n/a	50
102-12	External initiatives	Materiality Analysis	17	EWT- 08	22
102-13	Membership of associations	Engaging Our Stakeholders	17	SLS - 10	19
2. Strategy					
102-14	Statement from senior decision-maker	Chairman's Statement	16	ECC - 08	1-11
102-15	Key Impacts, risks & opportunities	Key Risks & Mitigations	16	ECC - 43	25-26
3. Ethics and integrity					
102-17	Mechanisms for advice and concerns about ethics	Business Ethics	16	GRM - 05 GRM - 07 GRM - 12	52
4. Governance					
102-18	Governance structure	Corporate Information	16	GCG - 02	7
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance Structure	16	GRM - 05	46-47
102-21	Consulting stakeholders on economic, environmental, and social topics	Materiality	16	n/a	20-24

Global Reporting Initiative (GRI) Content Index

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GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
102-22	Composition of the highest governance body and its committees	Corporate Information	5, 16	GCG - 02	7
102-23	Chair of the highest governance body	Corporate Information	16	GCG - 02	7
102-24	Nominating and selecting the highest governance body	Board Composition	5, 16	GCG - 22	90
102-25	Conflicts of interest	Corporate Governance Overview Statement	16	GCG - 07	88, 91, 93
102-26	Role of highest governance body in setting purpose, values, and strategy	Board Responsibility	16	n/a	88-92
102-27	Collective knowledge of highest governance body	Profile of Directors, Profile of the Key Senior Management	16	n/a	78-87
102-31	Review of economic, environmental, and social topics	Sustainability Governance Structure	16	GRM - 05 GCG - 08	46-47
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance Structure	16	GRM - 05	46-47
102-34	Nature and total number of critical concerns	Materiality Analysis	16	n/a	22-24
5. Stakeholder Engagement					
102-40	List of stakeholder groups	Engaging Our Stakeholders	n/a	n/a	16-19
102-42	Identifying and selecting stakeholders	Materiality	16	n/a	20-24
102-43	Approach to stakeholder engagement	Engaging Our Stakeholders	16	n/a	16-19
102-44	Key topics and concerns raised	Engaging Our Stakeholders	16	n/a	16-19
6. Reporting Practice					
102-45	Entities included in the consolidated financial statements	Investments in Subsidiaries, Investments in Associates, Investments in Joint Ventures	n/a	n/a	151-160
102-46	Defining report content and topic Boundaries	Scope & Boundary Reporting Scope	n/a	n/a	2, 44

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GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
102-47	List of material topics	Materiality Analysis	n/a	n/a	22-24
102-50	Reporting period	Reporting Scope	n/a	n/a	44
102-51	Date of the most recent report	Report Overview	n/a	n/a	44
102-52	Reporting cycle	Report Overview	n/a	n/a	44
102-53	Contact point for questions regarding the report	Accessibility & Feedback	n/a	n/a	44
102-54	Claims of reporting in accordance with the GRI standards	Reporting Framework Guidelines & References	n/a	n/a	44
102-55	GRI content index	Global Reporting Initiative (GRI) Content Index	n/a	n/a	237
GRI 200: ECONOMIC STANDARDS					
GRI 201: Economic Performance					
201-1	Direct economic value generated and distributed	Economic Performance	8, 9	n/a	28-34
201-3	Defined benefit plan obligations and other retirement plans	Workplace Well-being	8	n/a	59
GRI 203: Indirect Economic Impacts					
203-1	Infrastructure investments and services supported	Management Discussion and Analysis	7, 9, 11	n/a	27-43
GRI 205: Anti-corruption					
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption	16	GAC - 07 GAC - 08	52
205-3	Confirmed incidents of corruption and action taken	Anti-corruption	16	GAC - 13 GAC - 14	52
GRI 300: ENVIRONMENT STANDARDS					
GRI 301: Materials					
301-1	Materials used by weight and volume	3-Year Raw Material Used Data	8, 12	EPR - 01	66
GRI 302: Energy					
302-1	Energy consumption within the organisation	3-Year Energy Consumption Data	7, 8	ECC - 15	72-73
302-4	Reduction of energy consumption	3-Year Energy Consumption Data	7, 8	ECC - 40	72-73

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GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 300: ENVIRONMENT STANDARDS					
GRI 303: Water					
303-1	Water withdrawal by source	3-Year Water Consumption Data	6, 12	EWT - 34	63
GRI 305: Emission					
305-1	Direct (Scope 1) GHG emissions	Green House Gas (GHG) Emission Management	3, 12, 13	ECC - 14 ECC - 38	70-71
305-2	Energy indirect (Scope 2) GHG emissions	Green House Gas (GHG) Emission Management	3, 12, 13	ECC - 14 ECC - 38	70-71
305-4	GHG emissions intensity	Green House Gas (GHG) Emission Management	13, 14	ECC - 14 ECC - 38	70-71
305-5	Reduction of GHG emissions	Green House Gas (GHG) Emission Management	13, 14	ECC - 14 ECC - 38	70-71
GRI 306: Effluents and Waste					
306-4	Transport of hazardous waste	Environmental Performance	12	EPR - 24 EPR - 26	64-65
GRI 307: Environmental Compliance					
307-1	Non-compliance with environmental laws and regulations	Pollution & Resources Management	16	EPR - 05	68
GRI 400: SOCIAL STANDARDS					
GRI 401: Employment					
401-1	New employee hires and employee turnover	Employee Diversity, Talent Retention & Attraction	5, 8	SLS - 24	60
GRI 403: Occupational Health and Safety					
403-1	Workers representation in formal joint management-worker health and safety committees	S.H.E. Committee	8	SHS - 05	56
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Accident Management	8	SHS - 15 SHS - 38 SHS - 39 SHS - 40	57
GRI 404: Training and Education					
404-1	Average hours of training per year per employee	Training Opportunities	4, 8	SLS - 26	55, 60
404-2	Program for upgrading employee skills and transition assistance programs	Categories of Training	4, 8	SLS - 26 SLS - 29	55

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GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 400: SOCIAL STANDARDS					
404-3	Percentage of employees receiving regular performance and career development reviews	Talent Retention & Attraction	4, 8	SLS - 29	55
GRI 405: Diversity and Equal Opportunity					
405-1	Diversity of governance bodies and employees	Employee Diversity, Women Empowerment & Gender Equality	5, 10	SLS - 01 SLS - 02 SLS - 03	58
405-2	Ratio of basic salary and remuneration of women to men	Women Empowerment & Gender Equality	10	SLS - 01 SLS - 02 SLS - 03	60
GRI 406: Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken	Diversity & Equal Opportunities	10	SLS - 05	58
GRI 413: Local Communities					
413-1	Operations with local community engagement, impact assessments, and development programs	Social Capital	10	SHR - 15	75-77
GRI 418: Customer Privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Commitment to Our Clients	16	n/a	49
GRI 419: Socioeconomic Compliance					
419-1	Non-compliance with laws and regulations in the social and economic area	Corporate Governance	16	SLS - 05 SLS - 08 SLS - 21 EWT - 29	52

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PROXY FORM

CDS Account No.

No. of shares held

I/We, _____ Tel.: _____
 (Full name in block, NRIC / Passport / Company No.)

of _____
 (Address)

being a member of **Salcon Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact No:	Email address:		

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			
Contact No:	Email address:		

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Nineteenth Annual General Meeting ("19th AGM") of the Company which will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Leadership Room, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Thursday, 23 June 2022 at 10:30 a.m., or any adjournment thereof, and to vote as indicated below:-

NO.	ORDINARY RESOLUTIONS	#FOR	#AGAINST
1.	To approve the payment of the final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2021.		
2.	To approve the payment of Directors' fees of up to RM380,000 for the period from the conclusion of the Nineteenth Annual General Meeting until the next annual general meeting of the Company.		
3.	To approve the payment of Directors' benefits of up to an amount of RM220,000 for the period from the conclusion of the Nineteenth Annual General Meeting until the next annual general meeting of the Company.		
4.	To re-elect Tan Sri Abdul Rashid Bin Abdul Manaf, who retires pursuant to Clause 76(3) of the Company's Constitution, as Director.		
5.	To re-elect Dato' Rosli Bin Mohamed Nor, who retires pursuant to Clause 76(3) of the Company's Constitution, as Director.		
6.	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To grant authority to Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
9.	To approve Dato' Choong Moh Kheng to continue to act as an Independent Director.		

* Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this _____ day of _____

Signature^A
 Member

^AManner of execution:-

- (a) If you are an individual member, please sign where indicated.
- (b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
- (c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-
 - (i) at least two (2) authorised officers, of whom one shall be a director; or
 - (ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

1. IMPORTANT NOTICE FOR VIRTUAL MEETING

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 19th AGM.

Members are to attend, speak (including posing questions to the Board of Directors (“**Board**”) via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the 19th AGM via the Remote Participation and Voting (“**RPV**”) facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at <https://tiih.online>.

Please read these Notes carefully and follow the procedure in the Administrative Guide for the 19th AGM in order to participate remotely via RPV.

Shareholders are advised to check the Company’s website at www.salcon.com.my and announcements released to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) from time to time for any changes to the administration of the 19th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

2. APPOINTMENT OF PROXY

(a) For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the

Company, a Record of Depositors as at 16 June 2022. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM or appoint a proxy or proxies to participate on his/her/its behalf via RPV.

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AFFIX
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SALCON BERHAD

[200201026133 (593796-T)]

c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

2nd fold here

- (h) The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via TIIH Online website at <https://tiih.online>. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of proxy form. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote.
- (i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

- (j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (k) Last date and time for lodging this proxy form is Tuesday, 21 June 2022 at 10:30 a.m.
- (l) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
 - (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
 - (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
 - (a) at least two (2) authorised officers, of whom one shall be a director; or
 - (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.



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