



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2021 - UNAUDITED**

	30/06/2021 RM'000	31/12/2020 RM'000
Assets		
Property, plant and equipment	40,246	17,891
Intangible assets	47,734	23,740
Right-of-use assets	9,959	11,192
Investment properties	10,230	9,924
Investment in associate	17,497	17,341
Investment in joint ventures	30,252	29,415
Other investments	7,818	8,932
Deferred tax assets	3,688	3,688
Trade and other receivables	12,684	12,130
Total non-current assets	180,108	134,253
Trade and other receivables, including derivatives	135,337	129,846
Contract assets	75,329	65,288
Inventories	121,299	110,096
Other investment	9,488	9,404
Current tax assets	3,023	2,524
Cash and cash equivalents	134,207	142,836
Total current assets	478,683	459,994
Total assets	658,791	594,247
Equity		
Share capital	458,276	458,276
Reserves	4,965	4,023
Accumulated losses	(8,185)	(16,785)
Total equity attributable to owners of the Company	455,056	445,514
Non-controlling interests	36,309	22,249
Total equity	491,365	467,763
Liabilities		
Loans and borrowings	17,452	5,057
Lease liabilities	990	1,507
Deferred tax liabilities	7,622	5,818
Total non-current liabilities	26,064	12,382
Trade and other payables, including derivatives	90,505	77,358
Contract liabilities	7,176	7,174
Lease liabilities	1,179	1,311
Loans and borrowings	35,952	27,008
Current tax liabilities	6,550	1,251
Total current liabilities	141,362	114,102
Total liabilities	167,426	126,484
Total equity and liabilities	658,791	594,247
Net assets per share (RM)	0.45	0.44

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Revenue	260,812	24,523	303,118	72,344
Cost of sales	(233,491)	(22,232)	(268,719)	(62,450)
Gross Profit	27,321	2,291	34,399	9,894
Other income	2,100	3,966	5,068	7,539
Other expenses	(632)	400	(2,115)	(1,299)
Distribution expenses	(576)	(106)	(762)	(646)
Administrative expenses	(8,805)	(5,436)	(16,650)	(18,973)
Profit/(Loss) from operating activities	19,408	1,115	19,940	(3,485)
Finance costs	(1,047)	(665)	(1,804)	(1,227)
Finance income	252	546	617	1,121
Share of profit/(loss) of equity-accounted associate/ joint ventures, net of tax	698	321	926	686
Profit/(Loss) before tax	19,311	1,317	19,679	(2,905)
Tax expense	(3,517)	(362)	(4,055)	(1,237)
Profit/(Loss) from continuing operations	15,794	955	15,624	(4,142)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	(1,446)	-	(1,446)	-
Profit/(Loss) for the period	14,348	955	14,178	(4,142)
Profit/(Loss) attributable to:				
Owners of the Company	9,401	2,145	8,600	(4,210)
Non-controlling interests	4,947	(1,190)	5,578	68
Profit/(Loss) for the period	14,348	955	14,178	(4,142)
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	1.10	0.27	1.02	(0.53)
- from discontinued operations	(0.15)	-	(0.15)	-
Total	0.95	0.27	0.87	(0.53)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	30/06/2021 RM'000	30/06/2020 RM'000	30/06/2021 RM'000	30/06/2020 RM'000
Profit/(Loss) for the period	14,348	955	14,178	(4,142)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	578	9,303	2,174	12,885
Total other comprehensive income/(expense)	578	9,303	2,174	12,885
Total comprehensive income/(expense) for the period	14,926	10,258	16,352	8,743
Total comprehensive income/(expense) attributable to:				
Owners of the Company	9,979	11,478	10,774	8,762
Non-controlling interests	4,947	(1,220)	5,578	(19)
Total comprehensive income/(expense) for the period	14,926	10,258	16,352	8,743

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021 – UNAUDITED**

	← Attributable to Owners of the Company →				Total	Non- controlling interests	Total equity
	Share capital	Translation reserve	Treasury shares	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	424,465	7,017	(4,400)	1,154	428,236	20,989	449,225
Total comprehensive income for the period	-	12,972	-	(4,210)	8,762	(19)	8,743
Own shares acquired	-	-	(4,755)	-	(4,755)	-	(4,755)
Dilution of interest in subsidiaries	-	-	-	-	-	16	16
At 30 June 2020	424,465	19,989	(9,155)	(3,056)	432,243	20,986	453,229
At 1 January 2021	458,276	7,372	(3,349)	(16,785)	445,514	22,249	467,763
Total comprehensive income for the period	-	2,174	-	8,600	10,774	5,578	16,352
Own shares acquired	-	-	(1,232)	-	(1,232)	-	(1,232)
Acquisition of subsidiaries	-	-	-	-	-	8,371	8,371
Changes in ownership interest in subsidiaries	-	-	-	-	-	28	28
Issuance of shares to non-controlling interests	-	-	-	-	-	83	83
At 30 June 2021	458,276	9,546	(4,581)	(8,185)	455,056	36,309	491,365

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021 - UNAUDITED**

	6 months Ended 30/06/2021 RM'000	6 months Ended 30/06/2020 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax		
- continuing operations	19,679	(2,905)
- discontinued operations	(1,446)	-
	18,233	(2,905)
Adjustments for :		
- Non-cash items	3,436	400
- Non-operating items	1,186	106
Operating loss before changes in working capital	22,855	(2,399)
Changes in working capital	(8,144)	(24,676)
Cash generated from/(used in) operations	14,711	(27,075)
Interest paid	(76)	-
Income taxes paid	1,819	(1,514)
Net cash from/(used in) operating activities	16,454	(28,589)
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	134	63
- Proceeds from disposal of right-of-use assets	35	-
- Proceeds from disposal of other investments	7,198	10,996
- Proceeds from disposal of assets classified as held for sale	-	-
- Proceeds from disposal of investment properties	-	1,416
- Proceeds from dilution of interest in subsidiaries	-	16
- Net cash inflow from winding up of an associate company	114	-
- Acquisition of other investments	(7,892)	(10,346)
- Acquisition of property, plant and equipment	(8,989)	(130)
- Acquisition of right-of-use assets	-	(22)
- Acquisition of the remaining interest from non-controlling interest	(2,856)	-
- Acquisition of subsidiaries, net of cash acquired	(20,226)	-
- Dividends received - Other investments	75	-
- Interest received	617	1,121
Net cash from/(used in) investing activities	(31,790)	3,114
<u>Cash flows from financing activities</u>		
- Repurchase of treasury shares	(1,232)	(4,755)
- Drawdown from borrowings	14,346	16,698
- Interest paid	(1,727)	(1,227)
- Repayment of borrowings	(4,712)	(5,161)
- Dividends paid to non-controlling interests	-	(700)
- Repayment of lease liabilities	(655)	(601)
- Repayment of finance lease liabilities	(1,652)	(1,133)
Net cash from/(used in) financing activities	4,368	3,121
Net increase/(decrease) in cash and cash equivalents	(10,968)	(22,354)
Cash and cash equivalents at beginning of period	142,076	119,884
Exchange differences on translation of the financial statements of foreign entities	154	13,054
Cash and cash equivalents at end of period	131,262	110,584

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021 – UNAUDITED**

The cash and cash equivalents comprise the following balance sheet amounts:

	6 months Ended 30/06/2021 RM'000	6 months Ended 30/06/2020 RM'000
Cash and bank balances	83,998	35,446
Deposits placed with licensed banks	50,209	78,168
	<u>134,207</u>	<u>113,614</u>
Bank overdrafts	(2,915)	(3,000)
Pledged deposits	(30)	(30)
	<u>131,262</u>	<u>110,584</u>
Less: Amount placed with debts service reserve accounts	-	-
	<u>131,262</u>	<u>110,584</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2021

(i) EXPLANATORY NOTES PURSUANT TO MFRS 134 – Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 – *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It also complies with IAS 34 – *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and with the explanatory notes attached herein. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last audited financial statements for year ended 31 December 2020. The audited financial statements of the Group as at and for the year ended 31 December 2020 were prepared under Malaysian Financial Reporting Standards (MFRSs).

1.1 Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2020 except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC Interpretations by the Group with effect from 1 January 2021.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- *Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts* and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2*

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 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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 plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except for those marked with “*” which is not applicable to the Group.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for those marked with “*” which is not applicable to the Group.
- 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 which is not applicable to the Group.

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

2. Preceding Annual Financial Statement

The audit report of the Group’s annual financial statements prepared under MFRSs for the year ended 31 December 2020 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The principal activities of the Group are not subject to any seasonal or cyclical changes.



4. Unusual Items that Affect the Financial Statements

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the cumulative quarter ended 30 June 2021.

5. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect in the current interim period.

6. Debt and Equity Securities

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the cumulative quarter ended 30 June 2021 other than:

a) Share buy-back

The Company repurchased 5,455,900 ordinary shares of its issued share capital from the open market, at an average costs of RM0.23 per share. The total consideration paid for the share buy-back including transaction costs during the current financial quarter and financial period to date amounted to RM1,232,000 and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

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7. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 June 2021 are as follows:-

	Constructions RM'000	Healthcare RM'000	Trading & Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Segment profit	5,304	16,461	3,921	(292)	25,394	(1,446)	23,948
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	75,558	219,195	6,188	2,177	303,118	-	303,118
Share of profit of associate	-	-	89	-	89	-	89
Share of profit of joint venture	(166)	-	1,003	-	837	-	837
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(389)	(853)	(1,855)	(114)	(3,211)	-	(3,211)
Finance costs	(369)	(377)	(465)	(593)	(1,804)	-	(1,804)
Finance income	608	9	-	-	617	-	617
Income tax expense	(82)	(3,651)	(266)	(56)	(4,055)	-	(4,055)
Segment assets	362,016	90,108	96,792	109,875	658,791	-	658,791
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	-	17,497	-	17,497	-	17,497
Investment in joint venture	11,802	-	18,450	-	30,252	-	30,252
Additions to non-current assets other than financial instruments and deferred tax assets	50	-	8,062	-	8,112	-	8,112



Reconciliations of reportable segment profit or loss, assets and other material items

	RM'000
Profit	
Total profit or loss for reportable segments	25,394
Depreciation and amortisation	(3,211)
Finance costs	(1,804)
Finance income	617
Unrealised/ realised foreign exchange gain/(loss)	2,299
Unallocated expenses:	
Corporate expenses	(3,616)
Consolidated profit/(loss) before tax from continuing operations	<u>19,679</u>
Loss from discontinued operations, net of tax	(1,446)
Consolidated profit/(loss) before tax	<u><u>18,233</u></u>

8. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 2021. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

9. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period up to 12 August 2021 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report), that have not been reflected in the financial statement for the interim period.

10. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the followings: -

- (i) On 12 November 2020, Nusantara Jasakita Sdn Bhd, a 90.00%-owned subsidiary of Salcon ("NJSB"), had entered into a share sale agreement with Ganesan A/L Subramaniam to acquire 1,020,000 ordinary shares in JR Engineering and Medical Technologies (M) Sdn Bhd ("JREMT"), representing 51.00% equity interest therein, for a cash consideration of RM28.56 million. 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.

- (ii) On 1 February 2021, Wisdom Sports (M) Sdn Bhd ("WSSB"), a 23%-owned associate of Salcon, had convened its final meeting to conclude the member's voluntary winding-up of WSSB. The winding up has been conducted and the property of WSSB has been disposed off. An explanation of the account for the period from 8 November 2019 (commencement of winding up) to 1 February 2021 (Final Meeting) was provided.



- (iii) On 11 February 2021, Salcon Changzhou (HK) Limited, a wholly-owned subsidiary of Salcon, has been dissolved and the name of Salcon Changzhou (HK) Limited has been struck off the register of companies.

11. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 30 June 2021 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>49,435</u>

12. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	455,056
No. of shares	<u>1,012,413</u>
NA per share (RM)	<u>0.45</u>



B. ADDITIONAL DISCLOSURE PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 30/06/2021 RM'000	Cumulative Quarter To-date 30/06/2021 RM'000
Continuing operations		
Malaysian - current period	3,517	4,278
- prior years	-	(223)
	3,517	4,055

The Group's lower effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) in the cumulative quarter to-date is mainly due to availability of tax losses in some subsidiaries.

2. Status of Corporate Proposals

There were no corporate proposals announced as at 12 August 2021 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

3. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2021 are as follows:

	As at 2nd quarter ended 2021		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<u>Secured</u>			
<i>Term loans</i>	12,976	3,134	16,110
<i>Finance lease liabilities</i>	4,476	767	5,243
<u>Unsecured</u>			
<i>Invoice Financing</i>	-	10,335	10,335
<i>Bankers' Acceptance</i>	-	10,801	10,801
<i>Revolving Credit</i>	-	8,000	8,000
<i>Bank overdrafts</i>	-	2,915	2,915
	17,452	35,952	53,404



	As at 2nd quarter ended 2020		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loans</i>	2,946	125	3,071
<i>Finance lease liabilities</i>	3,217	1,039	4,256
Unsecured			
<i>Invoice Financing</i>	-	19,701	19,701
<i>Bankers' Acceptance</i>	-	6,390	6,390
<i>Bank overdrafts</i>	-	3,000	3,000
	6,163	30,255	36,418

For the year to-date financial quarter under review, the Group has recorded borrowings of RM53.40 million as compared to RM36.42 million for corresponding period in the immediate preceding year. The increase in the borrowings was substantially attributed by the acquisition of a subsidiary with borrowings amounting to RM10.21 million.

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

4. Changes in Material Litigation

There was no material update as at 12 August 2021 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:-

(i) Notice to Commence Arbitration Proceedings by Salcon MMCB AZSB JV Sdn Bhd Against Pengurusan Aset Air Berhad

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

Pursuant to the Arbitration Notice, SMAJV claims a sum of RM85,912,482.14 against PAAB for, among others, loss and expense claims, claims for works done under variation orders, release of retention sum and unilateral deduction by PAAB on payments due to SMAJV as at the date of the Arbitration Notice, subject to further quantification of further losses suffered by SMAJV (collectively referred to as “Claims”). The Claims relate to works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur.

The arbitration proceedings commenced by SMAJV is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2020. The arbitration proceedings is also not expected to have material operational impact on Salcon Group.

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

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



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

PAAB’s Counterclaim is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2020. PAAB’s Counterclaim is also not expected to have material operational impact on Salcon Group. There is no liability to Salcon Berhad group of companies arising from PAAB’s Counterclaim as any amount awarded to PAAB (if any) would be borne by SMAJV and neither Salcon Berhad nor Salcon Engineering Berhad had given any corporate guarantee to SMAJV. SMAJV is a separate legal entity and the liability (if any) is limited to the issued share capital of the company.

However, under the perspective of equity accounting, Salcon Berhad will have to book in the losses to be incurred by SMAJV (if any) arising from the Counterclaim in accordance to its shareholding proportionately. The estimated losses to be incurred by SMAJV (if any) arising from the Counterclaim based on the shareholding of Salcon Engineering Berhad in SMAJV would be RM5,510,701. However, the actual amount payable (if any) would be subject to the outcome of arbitration proceeding.

SMAJV has been notified by its solicitors on 23 July 2021 that SMAJV’s Claims and PAAB’s Counterclaim in respect of the arbitration proceedings commenced by the Arbitration Notice of 26 August 2020, relating to the works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur, have been respectively withdrawn, resulting in the withdrawal of the arbitration proceedings (“Withdrawal of the Arbitration Proceedings”).

The Withdrawal of the Arbitration Proceedings is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2021.

None of the directors and/or major shareholders of Salcon or persons connected with them has any interest, direct or indirect, in the Withdrawal of the Arbitration Proceedings

5. Material Changes in the Results of the Current Quarter compared to that of the Preceding Quarter

	Current Quarter	Immediate Preceding Quarter	Changes %
	30/06/2021	31/03/2021	
Revenue	260,812	42,306	516%
Operating Profit/(Loss)	19,408	532	3,548%
Profit/(Loss) Before Interest and Tax	20,358	1,125	1,710%
Profit/(Loss) Before Tax	19,311	368	5,148%
Profit/(Loss) For The Period	14,348	(170)	8,540%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	9,401	(801)	1,274%



SALCON BERHAD (Company No: 593796-T)

For the current financial quarter, the Group revenue increased from RM42.31 million to RM260.81 million by 516% and has recorded a profit before tax of RM19.31 million as compared to profit before tax of RM368,000 in the immediate preceding quarter.

The revenue recorded in the Construction Division was higher by 135%, an increased from RM22.53 million to RM53.02 million as compared to the immediate preceding quarter. The Division recorded profit before tax of RM7.08 million in the current financial quarter as compared to loss before tax of RM192,000 in the immediate preceding quarter due to higher completion of projects in the current financial quarter.

The revenue recorded in the Healthcare Division was higher by 1,214%, an increased from RM15.50 million to RM203.69 million as compared to the immediate preceding quarter. The Division recorded profit before tax of RM12.99 million in the current financial quarter as compared to profit before tax of RM2.25 million in the immediate preceding quarter. The increase in the revenue and profit before tax as compared to the immediate preceding quarter is mainly due to the completion of acquisition of JR Engineering and Medical Technologies (M) Sdn Bhd on 12 March 2021. The preceding quarter only recorded 20 days of financial results. The current financial quarter recognizes the financial performance for the entire quarter.

In the Property Development Division, it recorded a lower loss before tax of RM115,000 in the current financial quarter as compared to loss before tax of RM1.04 million in the immediate preceding quarter due to higher gross profit margin in the current financial quarter.

For the Trading and Services Division, revenue increased from RM2.52 million to RM3.67 million by 45%. The Division recorded profit before tax of RM1.71 million in the current financial quarter as compared to loss before tax of RM107,000 in the immediate preceding quarter due to higher gross profit margin in the current financial quarter.

6. Review of Performance of the Company and its Principal Subsidiaries

	Individual Period (2nd Quarter)		Changes %	6 Months Ended		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	30/06/2021	30/06/2020		30/06/2021	30/06/2020	
Revenue	260,812	24,523	964%	303,118	72,344	319%
Operating Profit/(Loss)	19,408	1,115	1,641%	19,940	(3,485)	672%
Profit/(Loss) Before Interest and Tax	20,358	1,982	927%	21,483	(1,678)	1,380%
Profit/(Loss) Before Tax	19,311	1,317	1,366%	19,679	(2,905)	777%
Profit/(Loss) For The Period	14,348	955	1,402%	14,178	(4,142)	442%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	9,401	2,145	338%	8,600	(4,210)	304%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM260.81 million as compared to RM24.52 million for the same period in the preceding year or an increase of 964%. Profit before taxation of RM19,31 million was recorded in the current financial



quarter as compared to profit before tax of RM1.32 million for the same period in the preceding year substantially attributed by the Healthcare Division in the sales of gloves.

In the Construction Division, revenue recorded in the current financial quarter was higher by 318% as compared to the same period in the preceding year. The Division recorded a profit before tax of RM7.08 million in the current financial quarter as compared to loss before tax of RM1.33 million for the same period in the preceding year due to higher completion of projects in the current financial quarter.

In the Healthcare Division, revenue and profit before tax recorded in the current financial quarter were RM203.69 million and RM12.99 million respectively. As it is a new Division during the current financial year there is no comparative available.

The Property Development Division has recorded a loss before tax of RM115,000 in the current financial quarter as compared to loss before tax of RM2.20 million for the same period in the preceding year due to higher gross profit margin in the current financial quarter.

In the Trading and Services Division, revenue decreased from RM4.16 million to RM3.67 million by 12% as compared to the same period in the preceding year. The Division recorded a profit before tax of RM1.71 million in the current financial quarter as compared to loss before tax of RM12,000 for the same period in the preceding year due to higher gross profit margin and lower operating expenses in the current financial quarter.

For the cumulative quarter to date, the Group recorded revenue of RM303.12 million as compared to RM72.34 million in the corresponding cumulative quarter in the preceding year. Profit before tax of RM19.68 million was recorded in the cumulative quarter to date as compared to loss before tax of RM2.91 million in the corresponding cumulative quarter in the preceding year attributed by the Healthcare Division in the sales of gloves.

In the Construction Division, revenue was 46% higher due to a halt in the construction activities during the MCO imposed by the Malaysian Government. The Division profit before tax was RM6.88 million as compared to profit before tax of RM1.52 million for the same period in the preceding year due to more construction activities in the current cumulative quarter.

In the Healthcare Division, revenue and profit before tax recorded in the current cumulative quarter were RM219.20 million and RM15.24 million respectively. As it is a new Division during the current cumulative quarter there is no comparative available.

The Property Development Division recorded loss before tax of RM1.15 million in the current cumulative quarter as compared to loss before tax of RM2.66 million for the same period in the preceding year due to higher gross profit margin in the current cumulative quarter.

The Trading and Services Division recorded a revenue of RM6.19 million as compared to RM8.23 million in the corresponding cumulative quarter in the preceding year. The Division recorded a profit before tax of RM1.60 million as compared to a loss before tax of RM522,000 for the same period in the preceding year due to lower operating expenses in the current cumulative quarter.

7. Prospects

The Group's financial performance has improved significantly in the second quarter of 2021, contributed mainly by the Group's Construction division and Healthcare Division via JR Engineering and Medical Technologies (M) Sdn. Bhd. (JR).

In the short to medium term, the Group's newly formed Healthcare Division is expected to remain resilient. Whilst the average selling price (ASP) of gloves is expected to ease further on the back of



vaccination programmes globally to contain the spread of the Covid-19 pandemic, the surge in cases involving the Delta variant is expected to help cushion the demand drop of gloves. Over the longer term, demand outlook is expected to normalise, albeit at a higher level.

As for the Group's Construction Division, whilst there were some delays due to the recent movement control orders, all projects across the Group are currently on-going and in progress with SOPs in place to ensure the health and safety of our employees.

Moving forward, with the country's economy opening up gradually, the Group remains reasonably optimistic on its operational and financial performance in the coming quarters.

8. Variance of Profit Forecast / Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

9. Financial instruments - derivatives

As at 30 June 2021, the Group has no outstanding foreign currency forward contracts under derivative financial instruments.

10. Earnings Per Share

The basic and diluted earnings per share have been calculated based on the consolidated net profit attributable to equity holders of the parent for the period and the weighted average number of ordinary shares outstanding during the period as follows:

Basic earnings per share

	Current Quarter Ended 30/06/2021	Comparative Quarter Ended 30/06/2020	Cumulative Quarter To-date	
			30/06/2021	30/06/2020
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	10,847	2,145	10,046	(4,210)
- discontinued operations	(1,446)	-	(1,446)	-
	<u>9,401</u>	<u>2,145</u>	<u>8,600</u>	<u>(4,210)</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	<u>992,227</u>	<u>819,925</u>	<u>992,227</u>	<u>819,925</u>
Effect of shares repurchased during the period ('000)	(4,576)	(26,140)	(3,382)	(18,418)
Weighted average number of ordinary shares ('000)	<u>987,651</u>	<u>793,785</u>	<u>988,845</u>	<u>801,507</u>
Basic (loss)/earnings per share (sen)				
* Note: Antidilutive				
- continuing operations	1.10	0.27	1.02	(0.53)
- discontinued operations	(0.15)	-	(0.15)	-
Total	<u>0.95</u>	<u>0.27</u>	<u>0.87</u>	<u>(0.53)</u>



11. Notes to the Condensed Consolidated Statement of Comprehensive Income

Profit before tax arrived at after (charging)/crediting the followings items:

	Current Quarter Ended 30/06/2021 RM'000	Cumulative Quarter Ended 30/06/2021 RM'000
Net realised foreign exchange gain/(loss)	(24)	(16)
Net unrealised foreign exchange gain/(loss)	122	2,315
Depreciation and amortization	(2,234)	(3,211)
	<u>(2,136)</u>	<u>(912)</u>

Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 August 2021.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
19 August 2021