



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2020 - UNAUDITED**

	31/12/2020 RM'000	31/12/2019 RM'000
Assets		
Property, plant and equipment	17,782	21,794
Intangible assets	23,741	25,597
Right-of-use assets	11,301	12,390
Investment properties	9,924	9,924
Investment in associate	17,341	17,052
Investment in joint ventures	29,399	32,344
Other investments	8,932	4,053
Deferred tax assets	3,688	3,698
Total non-current assets	122,108	126,852
Trade and other receivables, including derivatives	142,335	119,324
Contract assets	65,243	70,170
Inventories	110,096	131,763
Other investment	9,404	3,206
Current tax assets	2,608	1,138
Assets classified as held for sale	-	494
Cash and cash equivalents	142,836	121,344
Total current assets	472,522	447,439
Total assets	594,630	574,291
Equity		
Share capital	458,277	424,465
Reserves	4,022	2,617
Retained earnings	(16,700)	1,154
Total equity attributable to owners of the Company	445,599	428,236
Non-controlling interests	22,368	20,989
Total equity	467,967	449,225
Liabilities		
Loans and borrowings	5,057	5,773
Lease liabilities	1,507	2,359
Deferred tax liabilities	5,818	6,833
Total non-current liabilities	12,382	14,965
Trade and other payables, including derivatives	77,194	84,854
Contract liabilities	7,319	5,601
Lease liabilities	1,311	1,115
Loans and borrowings	27,008	18,329
Current tax liabilities	1,449	202
Total current liabilities	114,281	110,101
Total liabilities	126,663	125,066
Total equity and liabilities	594,630	574,291
Net assets per share (RM)	0.44	0.51

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Continuing operations				
Revenue	61,582	59,048	194,148	191,292
Cost of sales	(61,168)	(54,555)	(179,645)	(165,149)
Gross Profit	414	4,493	14,503	26,143
Other income	10,557	8,522	21,216	11,882
Other expenses	(3,546)	(6,848)	(5,414)	(6,892)
Distribution expenses	(158)	(560)	(1,106)	(2,162)
Administrative expenses	(7,855)	(12,687)	(36,046)	(49,913)
Profit/(Loss) from operating activities	(588)	(7,080)	(6,847)	(20,942)
Finance costs	(596)	(1,566)	(2,468)	(3,320)
Finance income	620	612	2,142	2,872
Share of profit/(loss) of equity-accounted associate/ joint ventures, net of tax	77	12,380	(1,456)	14,059
Profit/(Loss) before tax	(487)	4,346	(8,629)	(7,331)
Tax expense	434	(283)	(912)	(2,419)
Profit/(Loss) from continuing operations	(53)	4,063	(9,541)	(9,750)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	(626)	(24)	1,688	783
Profit/(Loss) for the period	(679)	4,039	(7,853)	(8,967)
Profit/(Loss) attributable to:				
Owners of the Company	256	2,180	(5,982)	(8,651)
Non-controlling interests	(935)	1,859	(1,871)	(316)
Profit/(Loss) for the period	(679)	4,039	(7,853)	(8,967)
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	0.09	0.26	(0.88)	(1.12)
- from discontinued operations	(0.06)	-	0.18	0.09
Total	0.03	0.26	(0.70)	(1.03)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Profit/(Loss) for the period	(679)	4,039	(7,853)	(8,967)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(19,534)	4,616	1,127	(8,937)
Total other comprehensive income/(expense)	(19,534)	4,616	1,127	(8,937)
Total comprehensive income/(expense) for the period	(20,213)	8,655	(6,726)	(17,904)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	(19,277)	6,803	(5,627)	(17,550)
Non-controlling interests	(936)	1,852	(1,099)	(354)
Total comprehensive income/(expense) for the period	(20,213)	8,655	(6,726)	(17,904)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020 – UNAUDITED**

	← Attributable to Owners of the Company →				Total	Non- controlling interests	Total equity
	← Non – distributable →		Distributable				
	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 2019	424,465	15,916	(7,375)	18,155	451,161	21,850	473,011
Total comprehensive income							
for the period	-	(8,899)	-	(8,651)	(17,550)	(354)	(17,904)
Own shares acquired	-	-	(4,643)	-	(4,643)	-	(4,643)
Changes in ownership interest in subsidiaries	-	-	-	(732)	(732)	732	-
Dividends to shareholders	-	-	7,618	(7,618)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	(1,239)	(1,239)
At 31 December 2019	424,465	7,017	(4,400)	1,154	428,236	20,989	449,225
At 1 January 2020	424,465	7,017	(4,400)	1,154	428,236	20,989	449,225
Total comprehensive income							
for the period	-	355	-	(5,982)	(5,627)	(1,099)	(6,726)
Own shares acquired	-	-	(5,386)	-	(5,386)	-	(5,386)
Issuance of shares - private placement	33,812	-	-	-	33,812	-	33,812
Changes in ownership interest in subsidiaries	-	-	-	(5,436)	(5,436)	3,963	(1,473)
Dilution of interest in subsidiaries	-	-	-	-	-	265	265
Issuance of shares to non-controlling interests	-	-	-	-	-	250	250
Disposal of interest in subsidiaries	-	-	-	-	-	(2,000)	(2,000)
Dividends to shareholders	-	-	6,436	(6,436)	-	-	-
At 31 December 2020	458,277	7,372	(3,350)	(16,700)	445,599	22,368	467,967

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020 - UNAUDITED**

	12 months Ended 31/12/2020 RM'000	12 months Ended 31/12/2019 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax		
- continuing operations	(8,629)	(7,331)
- discontinued operations	1,688	783
	(6,941)	(6,548)
Adjustments for :		
- Non-cash items	2,103	(8,027)
- Non-operating items	326	448
Operating loss before changes in working capital	(4,512)	(14,127)
Changes in working capital	1,419	58,935
Cash generated from/(used in) operations	(3,093)	44,808
Income taxes paid	(2,140)	(1,605)
Net cash from/(used in) operating activities	(5,233)	43,203
<u>Cash flows from investing activities</u>		
- Increase in investments in an associate	-	(1,634)
- Proceeds from disposal of property, plant and equipment	13	87
- Proceeds from disposal of right-of-use assets	30	-
- Proceeds from disposal of other investments	16,421	2,591
- Proceeds from disposal of investment properties	1,416	-
- Proceeds from dilution of interest in subsidiaries	265	-
- Proceeds from issuance of equity shares in a subsidiary to non-controlling interest	210	-
- Net cash inflow from disposal of equity accounted associate, net of cash and cash equivalents disposed off	-	13,128
- Net cash outflow from disposal of a subsidiary, net of cash and cash equivalents disposed off	-	(2)
- Acquisition of other investments	(23,390)	(7,448)
- Acquisition of property, plant and equipment	(496)	(1,554)
- Acquisition of right-of-use assets	(201)	-
- Acquisition of investment properties	-	(2,217)
- Acquisition of the remaining interest from non-controlling interest	(6,500)	-
- Dividends received from associated/joint ventures	-	2,402
- Interest received	2,142	2,872
Net cash from/(used in) investing activities	(10,090)	8,225
<u>Cash flows from financing activities</u>		
- Repurchase of treasury shares	(5,386)	(4,643)
- Drawdown from borrowings	14,803	3,003
- Proceeds from private placement of shares	33,812	-
- Interest paid	(2,468)	(3,320)
- Repayment of borrowings	(5,112)	(25,454)
- Dividends paid to non-controlling interests	(700)	(1,239)
- Repayment of lease liabilities	(1,493)	(1,275)
- Repayment of finance lease liabilities	(1,355)	(2,488)
Net cash from/(used in) financing activities	32,101	(35,416)
Net increase/(decrease) in cash and cash equivalents	16,778	16,012
Cash and cash equivalents at beginning of period	119,884	113,687
Exchange differences on translation of the financial statements of foreign entities	5,413	(9,815)
Cash and cash equivalents at end of period	142,075	119,884

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020 – UNAUDITED**

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

	12 months Ended 31/12/2020 RM'000	12 months Ended 31/12/2019 RM'000
Cash and bank balances	85,726	35,470
Deposits placed with licensed banks	57,110	85,874
	142,836	121,344
Bank overdrafts	(731)	(1,430)
Pledged deposits	(30)	(30)
	142,075	119,884

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2020

(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 2019 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 2019. The audited financial statements of the Group as at and for the year ended 31 December 2019 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 2019 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 2020.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period 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 2019 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 31 December 2020.

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 31 December 2020 other than:

a) Share buy-back

The Company repurchased 29,291,000 ordinary shares of its issued share capital from the open market, at an average costs of RM0.18 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 RM5,386,000 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. Dividends Paid

During the cumulative quarter ended 31 December 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. The total number of treasury shares distributed was 27,663,917 shares or equivalent to RM6.44 million.

The final dividend was fully credited into the entitled depositors' securities accounts of the shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 19 August 2020.

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8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2020 are as follows:-

	Constructions	Concessions	Trading & Services	Property Development	Total Continuing Operations	Discontinued Operations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	850	367	4,465	(4,012)	1,670	1,549	3,219
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	153,593	-	16,792	23,763	194,148	-	194,148
Share of profit of associate	-	385	(96)	-	289	-	289
Share of profit of joint venture	(2,729)	-	984	-	(1,745)	-	(1,745)
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(1,484)	-	(4,357)	-	(5,841)	-	(5,841)
Finance costs	(1,181)	-	(405)	(882)	(2,468)	-	(2,468)
Finance income	2,107	-	1	34	2,142	-	2,142
Income tax expense	(879)	-	(407)	374	(912)	-	(912)
Segment assets	385,524	16,874	80,528	111,704	594,630	-	594,630
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	16,703	638	-	17,341	-	17,341
Investment in joint venture	11,952	-	17,447	-	29,399	-	29,399
Additions to non-current assets other than financial instruments and deferred tax assets	366	-	331	-	697	-	697



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

	RM'000
Profit	
Total profit or loss for reportable segments	1,670
Depreciation and amortisation	(5,841)
Finance costs	(2,468)
Finance income	2,142
Unrealised/ realised foreign exchange gain/(loss)	1,595
Unallocated expenses:	
Corporate expenses	(5,727)
Consolidated profit/(loss) before tax from continuing operations	<u>(8,629)</u>
Profit from discontinued operations, net of tax	1,688
Consolidated profit/(loss) before tax	<u>(6,941)</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2020. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

10. 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 16 February 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.

11. 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) Salcon Engineering Berhad ("SEB"), a wholly-owned subsidiary of the Company, has on 14 July 2020 entered into a Joint Venture Agreement ("JV Agreement") with The One Smart City Development Limited ("TOSC"), Wide Plus Smart City Sdn Bhd ("WPSC") and Digital Momentum Sdn. Bhd. ("DMSB") for the purpose of forming a joint venture via DMSB to market and sell smart water systems with total monitoring platform solutions or its components in Malaysia.

Pursuant to the JV Agreement, DMSB will allot 59,999 Ordinary Shares ("OS") to SEB and 40,000 OS to WPSC at an issue price of RM1.00 per OS. Upon completion of the Subscription of Shares, DMSB will cease as a wholly-owned subsidiary of SEB and become a 60%-owned subsidiary company of SEB. The Subscription of Shares involves a deemed disposal of 40% equity interest in DMSB by SEB to WPSC for a consideration sum of RM40,000.

- (ii) Salcon Berhad has on 5 August 2020 entered into a Sale and Purchase Agreement with See Che Chi to dispose of 10,000,000 ordinary shares in Salcon Xinlian Group Limited ("SXGL"), representing 51% equity interest in SXGL for a total cash consideration of RM1.00. Following the disposal, SXGL ceased to be a subsidiary of the Company.



12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 31 December 2020 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>47,795</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	445,599
No. of shares	<u>1,012,413</u>
NA per share (RM)	<u>0.44</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 31/12/2020 RM'000	Cumulative Quarter To-date 31/12/2020 RM'000
Continuing operations		
Malaysian - current period	(434)	896
- prior years	-	16
	<u>(434)</u>	<u>912</u>

The Group's higher 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 certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

2. Status of Corporate Proposals

2.1) Salcon Berhad ("Salcon") had on 12 September 2013 entered into the following agreements:

- a) conditional sale and purchase agreement between Salcon and Beijing Enterprises Water Group Limited ("**BEWG**") for the proposed disposals by Salcon of the entire equity interests held in Salcon Darco Environmental Pte Ltd and Salcon Jiangsu (HK) Limited to BEWG ("**SPA-A**"); and
- b) conditional sale and purchase agreement between Salcon, Salcon Water (Asia) Limited, a 60%-owned subsidiary of Salcon ("**Salcon Water**") and BEWG for the proposed disposals by Salcon and Salcon Water of the entire equity interests held in Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Linyi (HK) Limited and Salcon Shandong (HK) Limited to BEWG ("**SPA-B**")

for a total cash consideration of RMB955.0 million (equivalent to approximately RM518.28 million) ("**Proposed Disposals**").

The Company has obtained shareholders' approval pertaining to the above Proposed Disposals at the EGM held on 27 November 2013.

Salcon and BEWG had on 20 December 2013 by way of exchange of letter agreed to the variation/modification of certain term of the SPA-A ("**Letter-A**"). On the same date, Salcon, Salcon Water and BEWG by way of exchange of letter agreed to the variation/modification of certain term of SPA-B ("**Letter-B**") (hereinafter the Letter-A and Letter-B are collectively referred to as "**Letters**"). The rationale for the Letters is to facilitate the completion of the Proposed Disposals in stages and allow the Company to partially complete the Proposed Disposals ahead of 15 January 2014.



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The proposed disposals of the entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited pursuant to the SPA-A which is and Letter-A are deemed to be completed on 23 December 2013.

Salcon Water had on 25 April 2016 mutually agreed with BEWG to proceed with the completion of the proposed disposals of the entire issued and paid-up share capital of Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited and Salcon Shandong (HK) Limited, in accordance with Clause 4.6 of SPA-B. Furthermore, in accordance with Clause 4.6 of SPA-B, the Company and Salcon Water had also on even date mutually agreed with BEWG to terminate the proposed disposal of the entire issued and paid-up share capital of Salcon Linyi (HK) Limited (“Given Up Target-B”), in view that certain Conditions-B in respect of Salcon Linyi (HK) Limited have not been fulfilled or waived. For information purposes, the disposal consideration in respect of the Given Up Target-B is RMB130 million.

The status of the utilisation of the proceeds as at 16 February 2021 arising from the disposal is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

Purpose	Proposed Utilisation	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Future investments	230,000	(191,656)	Within 24 months	38,344	17	Completed
Repayment of borrowings	97,540	(97,540)	Within 6 months	Nil	Nil	Completed
Distribution to shareholders	30,000	(40,556)	Within 12 months	(10,556)	(35)	Completed
Working capital	10,397	(38,121)	Within 24 months	(27,724)	(267)	Completed
Defraying expenses incidental to the Proposed Disposal	1,437	(1,501)	Within 3 months	(64)	(4)	Completed
Total	369,374	(369,374)		-	-	-

2.2) Salcon Berhad (“Salcon”) had on 28 September 2020 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 has been completed on 2 November 2020. A total of 165,300,000 new Salcon Shares were placed out pursuant to the private placement. The 139,000,000 and 26,300,000 placement shares, being the first and final tranche of the placement shares, were listed and quoted on the Main Market of Bursa Securities on 22 October and 2 November 2020, respectively.



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The status of the utilisation of the proceeds as at 16 February 2021 arising from the private placement is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

Purpose	Proposed Utilisation	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Future investments	21,828	(2,856)	Within 24 months	Nil	Nil	Not Completed
Working capital	11,834	-	Within 12 months	Nil	Nil	Not Completed
Estimated expenses in relation to the Proposed Private Placement	150	(150)	Within 6 months	Nil	Nil	Completed
Total	33,812	(3,006)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2020 are as follows:

	As at 4th quarter ended 2020		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loans</i>	3,008	76	3,084
<i>Finance lease liabilities</i>	2,049	1,968	4,017
Unsecured			
<i>Term loans</i>	-	17,806	17,806
<i>Bankers' Acceptance</i>	-	6,427	6,427
<i>Bank overdrafts</i>	-	731	731
	5,057	27,008	32,065

	As at 4th quarter ended 2019		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loans</i>	2,964	181	3,145
<i>Finance lease liabilities</i>	2,809	2,237	5,046



Unsecured			
<i>Term loans</i>	-	3,003	3,003
<i>Revolving credits</i>	-	3,000	3,000
<i>Bankers' Acceptance</i>	-	8,478	8,478
<i>Bank overdrafts</i>	-	1,430	1,430
	5,773	18,329	24,102

For the year to-date financial quarter under review, the Group has recorded borrowings of RM32.01 million as compared to RM24.10 million for corresponding period in the immediate preceding year. The increase in the borrowings was substantially attributed by receivable financing of a subsidiary amounting to RM17.81 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 16 February 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.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/12/2020	30/09/2020	
Revenue	61,582	60,222	2%
Operating Profit/(Loss)	(588)	(2,774)	79%
Profit/(Loss) Before Interest and Tax	109	(4,592)	102%
Profit/(Loss) Before Tax	(487)	(5,237)	91%
Profit/(Loss) For The Period	(679)	(3,032)	78%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	256	(2,028)	113%

For the current financial quarter, the Group revenue increased from RM60.22 million to RM61.58 million by 2% and has recorded a loss before tax of RM487,000 as compared to loss before tax of RM5.24 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was higher by 19%, an increase from RM46.53 million to RM55.15 million as compared to the immediate preceding quarter. The Division recorded loss before tax of RM3.54 million as compared to loss before tax of RM3.66 million in the same period of the immediate preceding quarter due to higher cost of sales and losses from joint ventures companies.

In the Property Development Division, it recorded a lower loss before tax of RM893,000 in the current financial quarter as compared to loss before tax of RM1.31 million in the same period of the immediate preceding quarter due to lower finance costs in the current financial quarter.

For the Trading and Services Division, revenue decreased from RM4.74 million to RM3.82 million by 19%. The Division recorded loss before tax of RM2.04 million as compared to profit before tax of RM2.26 million in the same period of the immediate preceding quarter due to waiver of debts in the immediate preceding quarter.



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

	Individual Period (4th Quarter)		Changes %	12 Months Ended		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	31/12/2020	31/12/2019		31/12/2020	31/12/2019	
Revenue	61,582	59,048	4%	194,148	191,292	1%
Operating Profit/(Loss)	(588)	(7,080)	92%	(6,847)	(20,942)	67%
Profit/(Loss) Before Interest and Tax	109	5,912	-98%	(6,161)	(4,011)	-54%
Profit/(Loss) Before Tax	(487)	4,346	-111%	(8,629)	(7,331)	-18%
Profit/(Loss) For The Period	(679)	4,039	-117%	(7,853)	(8,967)	12%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	256	2,180	-88%	(5,982)	(8,651)	31%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM61.58 million as compared to RM59.05 million for the same period in the preceding year or an increase of 4%. Loss before taxation of RM487,000 was recorded in the current quarter as compared to profit before tax of RM4.35 million for the same period in the preceding year substantially attributed to losses from joint ventures companies.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 3% as compared to the same period in the preceding year. The Division recorded loss before tax of RM3.54 million as compared to profit before tax of RM12.32 million for the same period in the preceding year due to losses from joint ventures companies.

The Property Development Division has recorded a loss before tax of RM893,000 as compared to loss before tax of RM1.54 million for the same period in the preceding year due to lower finance costs in the current financial quarter.

In the Trading and Services Division, revenue was higher by 17% as compared to the same period in the preceding year. The Division recorded a loss before tax of RM2.04 million as compared to loss before tax of RM3.44 million for the same period in the preceding year due to higher cost of sales in the preceding year.

In the current financial quarter, the Discontinued Operations has recorded loss before tax of RM625,000 due to de-registration of Salcon Services (HK) Limited.

For the cumulative quarter to date, the Group recorded revenue of RM194.15 million as compared to RM191.29 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM8.63 million was recorded in the cumulative quarter to date as compared to loss before tax of RM7.33 million in the corresponding cumulative quarter in the preceding year.

In the Constructions Division, revenue was 6% lower due to slower construction activities during the Recovery Movement Control Order that was imposed by the Malaysian Government when compared to the corresponding cumulative quarter in the preceding year. The Division loss before tax was



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RM5.68 million as compared to profit before tax of RM10.58 million for the same period in the preceding year due to losses from joint ventures companies in the current cumulative quarter.

In the Property Development Division, it recorded loss before tax of RM4.86 million in the current financial quarter as compared to loss before tax of RM3.60 million for the same period in the preceding year due to higher cost of sales in the current cumulative quarter.

The Trading and Services Division recorded revenue of RM16.79 million as compared to RM19.18 million in the corresponding cumulative quarter in the preceding year. The Division recorded loss before tax of RM297,000 as compared to loss before tax of RM7.72 million due to higher operating expenses and administrative expenses for arrear of tax paid amounting to RM5.63 million in regards to disposal of overseas investment in prior years in the preceding year.

In the current cumulative quarter to date, the Discontinued Operations has recorded profit before tax of RM1.69 million due to disposal of 51% equity in Salcon Xinlian Group Limited and de-registration of Salcon Services (HK) Limited as compared to profit before tax of RM782,000 for the same period in the preceding year.

7. Prospects

The Engineering & Construction division successfully completed several water related contracts such as the Langat 2 Water Treatment Plant in Malaysia and rehabilitation and upgrading of Haiphong Water Supply system in Vietnam in the final quarter of the year. The Group looks to leverage on its operational performance to secure more water and wastewater projects in the coming year. The Environment and Water Minister, Datuk Tuan Ibrahim Tuan Man has reported that RM10 billion will be set aside to improve the nation's water supply network under the 12th Malaysia Plan which is to be tabled sometime this year.

The Group undertakes prudent actions to ensure that a stable source of income is generated to support the operations and maximize value for our stakeholders. To this end, the Group is on track with the diversification to glove manufacturing in its business portfolio. The acquisition of JR Engineering and Medical Technologies (M) Sdn Bhd is expected to be completed by Q1 2021. Moving forward, the Group continues to work towards achieving earnings growth prospects and identifying growth opportunities.

8. Variance of Profit Forecast / Profit Guarantee

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

9. Proposed Dividend

The Board of Directors proposed a first and final dividend of one (1) treasury share for every forty-five [45] existing ordinary shares held in the company in respect of the financial year ended 31 December 2020 for the approval of the shareholders at the Eighteenth Annual General Meeting.

10. Financial instruments - derivatives

As at 31 December 2020, the Group has no outstanding foreign currency forward contracts under derivative financial instruments.



11. 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

	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	876	2,204	(7,521)	(9,434)
- discontinued operations	(620)	(24)	1,539	783
	<u>256</u>	<u>2,180</u>	<u>(5,982)</u>	<u>(8,651)</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	819,925	819,925	819,925	819,925
Effect of shares repurchased during the period ('000)	(29,290)	(14,871)	(23,448)	(6,194)
Effect of private placement of shares during the period ('000)	122,627	-	30,824	-
Effect of shares distributed as dividend during the period ('000)	27,664	28,174	27,664	28,174
Weighted average number of ordinary shares ('000)	<u>940,926</u>	<u>833,228</u>	<u>854,965</u>	<u>841,905</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	0.09	0.26	(0.88)	(1.12)
- discontinued operations	(0.06)	(0.00)	0.18	0.09
Total	<u>0.03</u>	<u>0.26</u>	<u>(0.70)</u>	<u>(1.03)</u>



12. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 31/12/2020 RM'000	Cumulative Quarter Ended 31/12/2020 RM'000
Net realised foreign exchange gain/(loss)	61	50
Net unrealised foreign exchange gain/(loss)	1,150	1,545
Depreciation and amortization	(1,307)	(5,841)
	<u>(96)</u>	<u>(4,246)</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 23 February 2021.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
23 February 2021