



**SALCON BERHAD** (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2022 - UNAUDITED**

	<b>31/12/2022</b> <b>RM'000</b>	31/12/2021 RM'000
<b>Assets</b>		
Property, plant and equipment	54,214	53,971
Right-of-use assets	12,873	11,733
Intangible assets	35,410	43,803
Investment properties	9,079	10,547
Investment in associate	17,244	16,963
Investment in joint ventures	37,612	41,490
Inventories	108,831	108,831
Other investments	13,521	4,901
Deferred tax assets	11,945	1,410
Trade and other receivables	13,959	9,859
<b>Total non-current assets</b>	<b>314,688</b>	<b>303,508</b>
Trade and other receivables	63,594	141,755
Contract assets	51,209	49,937
Inventories	11,879	12,961
Other investment	28,673	27,074
Current tax assets	5,169	2,777
Assets classified as held for sale	1,032	2,712
Cash and cash equivalents	116,612	120,536
<b>Total current assets</b>	<b>278,168</b>	<b>357,752</b>
<b>Total assets</b>	<b>592,856</b>	<b>661,260</b>
<b>Equity</b>		
Share capital	458,276	458,276
Reserves	3,511	3,389
Accumulated losses	(36,384)	(6,831)
<b>Total equity attributable to owners of the Company</b>	<b>425,403</b>	<b>454,834</b>
<b>Non-controlling interests</b>	<b>23,163</b>	<b>39,595</b>
<b>Total equity</b>	<b>448,566</b>	<b>494,429</b>
<b>Liabilities</b>		
Loans and borrowings	7,345	9,410
Lease liabilities	418	677
Deferred tax liabilities	12,960	12,322
<b>Total non-current liabilities</b>	<b>20,723</b>	<b>22,409</b>
Trade and other payables	102,770	102,849
Contract liabilities	167	4,482
Lease liabilities	1,428	1,967
Loans and borrowings	18,142	30,022
Current tax liabilities	1,060	5,102
<b>Total current liabilities</b>	<b>123,567</b>	<b>144,422</b>
<b>Total liabilities</b>	<b>144,290</b>	<b>166,831</b>
<b>Total equity and liabilities</b>	<b>592,856</b>	<b>661,260</b>
Net assets per share (RM)	0.42	0.45

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 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 2022 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/12/2022 RM'000</b>	31/12/2021 RM'000	<b>31/12/2022 RM'000</b>	31/12/2021 RM'000
<b>Revenue</b>	<b>64,778</b>	(89,591)	<b>204,135</b>	286,893
Cost of sales	<b>(58,589)</b>	102,589	<b>(181,183)</b>	(228,770)
<b>Gross Profit</b>	<b>6,189</b>	12,998	<b>22,952</b>	58,123
Other income	<b>24,068</b>	1,814	<b>29,949</b>	7,122
Other expenses	<b>(62,169)</b>	(3,696)	<b>(64,084)</b>	(6,353)
Distribution expenses	<b>(532)</b>	(266)	<b>(1,655)</b>	(873)
Administrative expenses	<b>(11,016)</b>	(14,537)	<b>(40,788)</b>	(39,899)
<b>Profit/(Loss) from operating activities</b>	<b>(43,460)</b>	(3,687)	<b>(53,626)</b>	18,120
Finance costs	<b>(644)</b>	(1,101)	<b>(2,725)</b>	(3,864)
Finance income	<b>622</b>	165	<b>1,474</b>	911
Share of profit/(loss) of equity-accounted associate/ joint ventures, net of tax	<b>780</b>	2,085	<b>4,125</b>	12,311
<b>Profit/(Loss) before tax</b>	<b>(42,702)</b>	(2,538)	<b>(50,752)</b>	27,478
Tax expense	<b>11,015</b>	(933)	<b>10,367</b>	(8,577)
<b>Profit/(Loss) from continuing operations</b>	<b>(31,687)</b>	(3,471)	<b>(40,385)</b>	18,901
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations, net of tax	<b>(6)</b>	(2,130)	<b>(6)</b>	(2,125)
<b>Profit/(Loss) for the period</b>	<b>(31,693)</b>	(5,601)	<b>(40,391)</b>	16,776
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	<b>(17,751)</b>	(4,896)	<b>(23,959)</b>	11,969
Non-controlling interests	<b>(13,942)</b>	(705)	<b>(16,432)</b>	4,807
<b>Profit/(Loss) for the period</b>	<b>(31,693)</b>	(5,601)	<b>(40,391)</b>	16,776
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	<b>(1.76)</b>	(0.28)	<b>(2.37)</b>	1.40
- from discontinued operations	<b>-</b>	(0.21)	<b>-</b>	(0.21)
Total	<b>(1.76)</b>	(0.49)	<b>(2.37)</b>	1.19

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 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 2022 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/12/2022 RM'000</b>	31/12/2021 RM'000	<b>31/12/2022 RM'000</b>	31/12/2021 RM'000
<b>Profit/(Loss) for the period</b>	<b>(31,693)</b>	(5,601)	<b>(40,391)</b>	16,776
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>(1,646)</b>	(4,207)	<b>(2,796)</b>	(239)
<b>Total other comprehensive income/(expense)</b>	<b>(1,646)</b>	(4,207)	<b>(2,796)</b>	(239)
<b>Total comprehensive income/(expense) for the period</b>	<b>(33,339)</b>	(9,808)	<b>(43,187)</b>	16,537
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>(19,397)</b>	(9,103)	<b>(26,755)</b>	11,730
Non-controlling interests	<b>(13,942)</b>	(705)	<b>(16,432)</b>	4,807
<b>Total comprehensive income/(expense) for the period</b>	<b>(33,339)</b>	(9,808)	<b>(43,187)</b>	16,537

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.



**SALCON BERHAD** (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2022 – 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
<b>At 1 January 2021</b>	458,276	7,372	(3,349)	(16,785)	445,514	22,249	467,763
Total comprehensive income for the period	-	(239)	-	11,969	11,730	4,807	16,537
Own shares acquired	-	-	(4,137)	-	(4,137)	-	(4,137)
Issuance of shares to non-controlling interest	-	-	-	-	-	83	83
Acquisition of subsidiaries	-	-	-	-	-	16,558	16,558
Changes in ownership interest in subsidiaries	-	-	-	1,727	1,727	(1,727)	-
Dividends to shareholders	-	-	3,742	(3,742)	-	-	-
Dividends to non-controlling interest	-	-	-	-	-	(2,375)	(2,375)
<b>At 31 December 2021</b>	<b>458,276</b>	<b>7,133</b>	<b>(3,744)</b>	<b>(6,831)</b>	<b>454,834</b>	<b>39,595</b>	<b>494,429</b>
<b>At 1 January 2022</b>	458,276	7,133	(3,744)	(6,831)	454,834	39,595	494,429
Total comprehensive income for the period	-	(2,796)	-	(23,959)	(26,755)	(16,432)	(43,187)
Own shares acquired	-	-	(2,676)	-	(2,676)	-	(2,676)
Dividends to shareholders	-	-	5,594	(5,594)	-	-	-
<b>At 31 December 2022</b>	<b>458,276</b>	<b>4,337</b>	<b>(826)</b>	<b>(36,384)</b>	<b>425,403</b>	<b>23,163</b>	<b>448,566</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 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 2022 - UNAUDITED**

	<b>12 months Ended 31/12/2022 RM'000</b>	12 months Ended 31/12/2021 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax		
- continuing operations	<b>(50,752)</b>	27,478
- discontinued operations	<b>(6)</b>	(2,125)
	<b><u>(50,758)</u></b>	<u>25,353</u>
Adjustments for :		
- Non-cash items	<b>12,749</b>	2,743
- Non-operating items	<b>1,250</b>	2,953
Operating loss before changes in working capital	<b><u>(36,759)</u></b>	<u>31,049</u>
Changes in working capital	<b>80,215</b>	12,898
Cash generated from/(used in) operations	<b><u>43,456</u></b>	<u>43,947</u>
Interest paid	<b>(76)</b>	(162)
Income taxes paid	<b><u>(5,964)</u></b>	<u>(4,706)</u>
<b>Net cash from/(used in) operating activities</b>	<b><u>37,416</u></b>	<u>39,079</u>
<b><u>Cash flows from investing activities</u></b>		
- Proceeds from disposal of property, plant and equipment	<b>48</b>	416
- Proceeds from disposal of investment properties	<b>3,385</b>	-
- Proceeds from disposal of other investments	-	8,783
- Net cash inflow from disposal of equity accounted associate, net of cash and cash equivalents disposed off	-	140
- Acquisition of other investments	<b>(9,338)</b>	(28,955)
- Acquisition of property, plant and equipment	<b>(9,031)</b>	(12,026)
- Acquisition of investment properties	-	(982)
- Acquisition of subsidiary, net of cash acquired	-	(17,256)
- Lease termination	<b>225</b>	-
- Distribution income from fund investments	<b>(721)</b>	(163)
- Placement of fund investments	<b>(4,878)</b>	-
- Redemption of investment fund from fund investments	-	3,400
- Dividends received from :		
- Associates/joint ventures	<b>400</b>	-
- Other investments	<b>83</b>	164
- Interest received	<b>1,474</b>	911
<b>Net cash from/(used in) investing activities</b>	<b><u>(18,353)</u></b>	<u>(45,568)</u>
<b><u>Cash flows from financing activities</u></b>		
- Repurchase of treasury shares	<b>(2,676)</b>	(4,137)
- Drawdown from borrowings	-	12,488
- Interest paid	<b>(2,648)</b>	(3,702)
- Repayment of borrowings	<b>(12,997)</b>	(14,292)
- Dividends paid to non-controlling interests	-	(2,375)
- Repayment of lease liabilities	<b>216</b>	(779)
- Repayment of finance lease liabilities	<b>(2,478)</b>	(261)
<b>Net cash from/(used in) financing activities</b>	<b><u>(20,583)</u></b>	<u>(13,058)</u>
Net increase/(decrease) in cash and cash equivalents	<b>(1,520)</b>	(19,547)
Cash and cash equivalents at beginning of period	<b>120,495</b>	142,076
Exchange differences on translation of the financial statements of foreign entities	<b>(2,415)</b>	(2,034)
<b>Cash and cash equivalents at end of period</b>	<b><u>116,560</u></b>	<u>120,495</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2022 – UNAUDITED**

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

	<b>12 months Ended 31/12/2022 RM'000</b>	12 months Ended 31/12/2021 RM'000
Cash and bank balances	<b>22,707</b>	39,341
Deposits placed with licensed banks	<b>93,905</b>	81,195
	<b>116,612</b>	120,536
Bank overdrafts	<b>(22)</b>	(11)
Pledged deposits	<b>(30)</b>	(30)
	<b>116,560</b>	120,495

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2022****(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 2021 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 2021. The audited financial statements of the Group as at and for the year ended 31 December 2021 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 2021 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 2022.

***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*

***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 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 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 2021 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 2022.

## **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 2022 other than:





a) Share buy-back

The Company repurchased 12,440,800 ordinary shares of its issued share capital from the open market, at an average costs of RM0.24 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 RM2,676,000 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.

**7. Dividends Paid**

During the cumulative quarter ended 31 December 2022, the Company paid a final dividend comprising a share dividend of one (1) treasury share for every forty (40) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2021. The total number of treasury shares distributed was 24,677,605 shares or equivalent to RM5.59 million.

The final dividend was fully credited into the entitled depositors' securities accounts of the shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 12 July 2022.

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## 8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2022 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
<b>Segment profit/(loss)</b>	4,863	(46,821)	9,010	(965)	(33,913)	(6)	(33,919)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	134,566	52,267	17,302	-	204,135	-	204,135
Share of profit of associate	-	-	281	-	281	-	281
Share of profit of joint venture	614	-	3,230	-	3,844	-	3,844
<i>Not included in the measure of segment profit but provided to CODM:</i>							
Depreciation and amortization	(1,549)	(3,578)	(3,345)	(284)	(8,756)	-	(8,756)
Finance costs	(557)	(602)	(365)	(1,201)	(2,725)	-	(2,725)
Finance income	1,432	24	-	18	1,474	-	1,474
Income tax expense	432	11,021	(843)	(243)	10,367	-	10,367
<b>Segment assets</b>	296,620	90,597	96,523	109,116	592,856	-	592,856
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	-	17,244	-	17,244	-	17,244
Investment in joint venture	16,601	-	21,011	-	37,612	-	37,612
Additions to non-current assets other than financial instruments and deferred tax assets	836	8,120	578	-	9,534	-	9,534



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

	<b>RM'000</b>
<b>Profit or loss</b>	
Total profit or loss for reportable segments	(33,913)
Depreciation and amortisation	(8,756)
Finance costs	(2,725)
Finance income	1,474
Unrealised/ realised foreign exchange gain/(loss)	1,183
Unallocated expenses:	
Corporate expenses	(8,015)
Consolidated profit/(loss) before tax from continuing operations	<u>(50,752)</u>
Loss from discontinued operations, net of tax	(6)
Consolidated profit/(loss) before tax	<u><u>(50,758)</u></u>

**9. Valuations of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2022. 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 21 February 2023 (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) On 7 June 2022, Salcon Utilities Sdn Bhd, a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Utilities Sdn Bhd has been struck off the register of companies.
- (ii) On 5 August 2022, Salcon Environmental Services Sdn Bhd, a wholly-owned subsidiary of Salcon Engineering Berhad which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Environmental Services Sdn Bhd has been struck off the register of companies.
- (iii) On 5 August 2022, Skeel Engineering Sdn Bhd, a wholly-owned subsidiary of Salcon Engineering Berhad which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Skeel Engineering Sdn Bhd has been struck off the register of companies.
- (iv) On 30 December 2022, Salcon Centrimax Engineering Sdn Bhd, a wholly-owned subsidiary of Salcon Engineering Berhad which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Centrimax Engineering Sdn Bhd has been struck off the register of companies.



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**12. Changes in Contingent Liabilities/Contingent Assets**

The contingent liabilities as at financial period ended 31 December 2022 are as follows:-

	<b>RM'000</b>
(i) Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>35,310</u>
(ii) Claims related to breach of the contract by Aspen Glove Sdn Bhd	<u>173,980</u>

The details of the litigation are reported in Part B (Note 4).

**13. Net assets (NA) per share**

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	425,403
No. of shares	<u>1,012,413</u>
NA per share (RM)	<u>0.42</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 31/12/2022 RM'000	Cumulative Quarter To-date 31/12/2022 RM'000
Continuing operations		
Malaysian - current period	(878)	221
- prior years	(504)	(955)
- deferred tax	(9,633)	(9,633)
	<u>(11,015)</u>	<u>(10,367)</u>

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 recognition of deferred tax assets.

**2. Status of Corporate Proposals**

There were no corporate proposals announced as at 21 February 2023 (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 31 December 2022 are as follows:

	As at 4th quarter ended 2022		
	Long term	Short term	Total borrowings
	RM'000 denomination	RM'000 denomination	RM'000 denomination
<b><u>Secured</u></b>			
<i>Term loans</i>	3,456	2,416	5,872
<i>Finance lease liabilities</i>	3,889	1,149	5,038
<b><u>Unsecured</u></b>			
<i>Term loans</i>	-	3,143	3,143
<i>Bankers' Acceptance</i>	-	6,412	6,412
<i>Revolving Credit</i>	-	5,000	5,000
<i>Bank overdrafts</i>	-	22	22
	<u>7,345</u>	<u>18,142</u>	<u>25,487</u>

	As at 4th quarter ended 2021		
	Long term	Short term	Total borrowings
	RM'000 denomination	RM'000 denomination	RM'000 denomination
<b>Secured</b>			
<i>Term loans</i>	2,916	5,311	8,227
<i>Finance lease liabilities</i>	5,996	436	6,432
<b>Unsecured</b>			
<i>Term loans</i>	498	3,589	4,087
<i>Invoice Financing</i>	-	7,055	7,055
<i>Bankers' Acceptance</i>	-	8,620	8,620
<i>Revolving Credit</i>	-	5,000	5,000
<i>Bank overdrafts</i>	-	11	11
	9,410	30,022	39,432

For the year to-date financial quarter under review, the Group has recorded borrowings of RM25.49 million as compared to RM39.43 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed repayment of invoice financing and term loans amounting to RM7.06 million and RM3.30 million respectively.

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 21 February 2023 (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) Aspen Glove Sdn Bhd (“AGSB” or “Plaintiff”) vs JR Engineering and Medical Technologies (M) Sdn Bhd (“JREMT” or “Defendant”)**

On 13 January 2021, JREMT had entered into a Sale and Distribution Agreement with AGBS (“Contract”), for the sale and purchase of gloves produced by AGBS in year 2021.

On 4 November 2022, JREMT served a letter of demand on the Plaintiff via its solicitors, Messrs Rosli Dahlan Saravana Partnership, to demand the sum of RM22,363,243.07, being unutilised funds under the Contract.

However, the Plaintiff had on 5 December 2022 filed an Originating Summons with the High Court of Malaya at Shah Alam, Selangor Darul Ehsan, Originating Summons No. BA24NCC-118-12/2022, (“Originating Summons”) against the Defendant for the following reliefs :

- (i) a declaration that the letter of demand dated 4 November 2022 is invalid and void;
- (ii) an injunction restraining the Defendant whether by itself or through its agents or representatives from filing or presenting a winding up petition based on the notice of demand dated 4 November 2022 until the disposal of the Originating Summons;
- (iii) an injunction restraining the Defendant whether by itself or through its agents or representative from advertising a winding up petition based on the notice of demand dated 4 November 2022 until the disposal of the Originating Summons;
- (iv) costs; and
- (v) other reliefs the Court deems fit.



JREMT is advised by its solicitors that AGSB's Originating Summons is non-meritorious and JREMT will oppose to the Originating Summons without hesitant. In connection thereto, JREMT had on 19 December 2022 filed an Affidavit in Reply to oppose the Originating Summons, which includes a counterclaim, as follows:

- (a) That the Plaintiff do pay RM22,363,243.07.
- (b) Alternatively, declaration that the Plaintiff is liable to account to the Defendant for the sum of RM22,363,243.07 as a constructive trustee;
- (c) Pre-judgement interests pursuant to Section 11 of the Civil Law Act 1956;
- (d) Post-judgement interests;
- (e) Costs; and
- (f) Such further and/or other reliefs that this Honourable Court deems just and proper.

In relation to the Originating Summons (Summons No.: BA-24NCC-118-12/2022), Salcon had on 17 February 2023 update as follows that:

- (i) Further to the counterclaim filed by JREMT on 19 December 2022, JREMT had on 27 December 2022 filed an application for interim injunction to, amongst others, preserve the RM22,363,243.07 pending the disposal of JREMT's counterclaim ("Interim Injunction Application").
- (ii) On 20 January 2023, the court granted an ex-parte injunction order ("Ex-Parte Order") in favour of JREMT in the Interim Injunction Application.
- (iii) On 26 January 2023, AGSB filed an application to set-aside the Ex-Parte Order ("Setting Aside Application").
- (iv) On 31 January 2023, the court granted an interim injunction in the Originating Summons in favour of AGSB restraining JREMT from presenting a winding up petition against AGSB pending the disposal of the Originating Summons. The decision in respect of the Originating Summons is fixed on 20 February 2023.
- (v) Directions in respect of JREMT's counterclaim will also be given on 20 February 2023.
- (vi) On 10 February 2023, the court granted an ad-interim injunction order in favour of JREMT in the Interim Injunction Application, pending the disposal of the Interim Injunction Application (inter-partes) and the Setting Aside Application.
- (vii) Hearing and/or decision of the Interim Injunction Application and the Setting Aside Application are fixed on 24 February 2023.

Furthermore, Salcon also inform that on 25 January 2023, AGSB filed a writ against JREMT (Civil Suit No.: BA-22NCvC-41-01/2023)("Suit") endorsed with Statement of Claim. In the Suit, AGSB alleged that JREMT did not purchase one (1) billion pieces of gloves from AGSB as stated in the Contract and therefore JREMT was in breach of the Contract.

In this Suit, AGSB claims:

- (a) a declaration that JREMT breached the Contract;
- (b) an order that JREMT pays AGSB the sum of RM74,654,583.90, being loss of expenditure;
- (c) an order that JREMT pays AGSB the sum of RM99,325,563.00, being loss of profit;
- (d) damages for breach of contract;
- (e) compensation for breach of contract;
- (f) interest;
- (g) costs;
- (h) such further or other relief as the Court deems fit.

JREMT is advised by its solicitors that the Suit is non-meritorious and JREMT shall vigorously defend the Suit.

JREMT had on 31 January 2023 filed its Memorandum of Appearance. The parties of the Suit are now exchanging its pleadings



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

	Current Quarter RM'000	Immediate Preceding Quarter RM'000	Changes %
	31/12/2022	30/09/2022	
Revenue	64,778	37,880	71%
Operating Profit/(Loss)	(43,460)	(5,595)	-677%
Profit/(Loss) Before Interest and Tax	(42,058)	(4,478)	-839%
Profit/(Loss) Before Tax	(42,702)	(5,151)	-729%
Profit/(Loss) For The Period	(31,693)	(5,462)	-480%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(17,751)	(3,800)	-367%

For the current quarter, the Group revenue increased from RM37.88 million to RM64.78 million by 71% and has recorded a loss before tax of RM42.70 million as compared to loss before tax of RM5.15 million in the immediate preceding quarter.

The revenue recorded in the Construction Division was higher by 141%, an increase from RM21.32 million to RM51.41 million as compared to the immediate preceding quarter. The Division recorded profit before tax of RM2.07 million in the current quarter as compared to profit before tax of RM942,000 in the immediate preceding quarter due to higher completion of projects in the current quarter.

The revenue recorded in the Healthcare Division was lower by 30%, a decrease from RM12.20 million to RM8.59 million as compared to the immediate preceding quarter. The Division recorded loss before tax of RM46.00 million in the current quarter as compared to loss before tax of RM3.82 million in the immediate preceding quarter mainly due to impairment loss on trade and other receivables.

In the Property Development Division, no revenue recorded due to no projects running. It recorded a lower loss before tax of RM592,000 in the current quarter as compared to loss before tax of RM660,000 in the immediate preceding quarter due to lower operating expenses in the current quarter.

For the Trading and Services Division, revenue increased from RM4.35 million to RM4.74 million by 9%. The Division recorded profit before tax of RM961,000 in the current quarter as compared to profit before tax of RM515,000 in the immediate preceding quarter due to higher contributions from share of profit from joint venture in the current quarter.





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

	Individual Period (4th Quarter)		Changes %	12 Months Ended		Changes %
	Current Year Quarter RM'000	Preceding Year Corresponding Quarter RM'000		Current Year Cumulative Quarter RM'000	Preceding Year Cumulative Quarter RM'000	
	31/12/2022	31/12/2021		31/12/2022	31/12/2021	
Revenue	64,778	(89,591)	172%	204,135	286,893	-29%
Operating Profit/(Loss)	(43,460)	(3,687)	-1,079%	(53,626)	18,120	-396%
Profit/(Loss) Before Interest and Tax	(42,058)	(1,437)	-2,827%	(48,027)	31,342	-253%
Profit/(Loss) Before Tax	(42,702)	(2,538)	-1,583%	(50,752)	27,478	-285%
Profit/(Loss) For The Period	(31,693)	(5,601)	-466%	(40,391)	16,776	-341%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(17,751)	(4,896)	-263%	(23,959)	11,969	-300%

For the current year quarter under review, the Group achieved higher revenue amounting to RM64.78 million as compared to a negative revenue of RM89.59 million in the preceding year corresponding quarter due to reclassification of agency fees in the revenue and cost of sales in the preceding year corresponding quarter. Loss before taxation of RM42.70 million was recorded in the current year quarter as compared to loss before tax of RM2.54 million in the preceding year corresponding quarter.

In the Construction Division, revenue recorded in the current year quarter was higher by 84% as compared to the preceding year corresponding quarter. The Division recorded a profit before tax of RM2.07 million in the current year quarter as compared to profit before tax of RM5.91 million in the preceding year corresponding quarter due to lower contributions from share of profit from joint venture in the current year quarter.

The Healthcare Division recorded a revenue of RM8.59 million in the current year quarter as compared to a negative revenue of RM122.10 million in the preceding year corresponding quarter due to reclassification of agency fees in the revenue and cost of sales in the preceding year corresponding quarter. The Division recorded a loss before tax of RM46.00 million in the current year quarter as compared to loss before tax of RM481,000 in the preceding year corresponding quarter mainly due to impairment loss on trade and other receivables.

The Property Development Division has recorded a loss before tax of RM592,000 in the current year quarter as compared to loss before tax of RM719,000 in the preceding year corresponding quarter.

In the Trading and Services Division, revenue increased from RM4.55 million to RM4.74 million by 4% as compared to the preceding year corresponding quarter. The Division recorded a profit before tax of RM961,000 in the current year quarter as compared to loss before tax of RM1.41 million in the preceding year corresponding quarter due to lower operating expenses in the current year quarter.

For the current year cumulative quarter, the Group recorded revenue of RM204.14 million or 29% decrease as compared to RM286.89 million in the preceding year cumulative quarter. Loss before tax of RM50.75 million was recorded in the current year cumulative quarter as compared to profit before tax of RM27.48 million in the preceding year cumulative quarter.



In the Construction Division, revenue decreased from RM136.13 million to RM134.48 million as compared to the preceding year cumulative quarter. The Division profit before tax was RM4.15 million as compared to profit before tax of RM22.84 million in the preceding year cumulative quarter due to lower contributions from share of profit from joint venture in the current year cumulative quarter.

In the Healthcare Division, revenue decreased from RM132.84 million to RM52.27 million by 61% as compared to the preceding year cumulative quarter. The Division recorded a loss before tax of RM50.98 million in the current year cumulative quarter as compared to profit before tax of RM18.68 million in the preceding year cumulative quarter mainly due to impairment loss on trade and other receivables.

The Property Development Division recorded loss before tax of RM2.43 million in the current year cumulative quarter as compared to loss before tax of RM2.44 million in the preceding year cumulative quarter.

The Trading and Services Division recorded a revenue of RM17.30 million in the current year cumulative quarter as compared to RM15.57 million in the preceding year cumulative quarter. The Division recorded a profit before tax of RM5.03 million in the current year cumulative quarter as compared to a profit before tax of RM963,000 in the preceding year cumulative quarter due to higher contributions from share of profit from joint venture in the current year cumulative quarter.

## **7. Prospects**

Despite the Group's lacklustre performance over the past year, the Group maintains a cautiously positive outlook for FYE 2023.

In the coming year, the engineering & construction division is expected to be the mainstay of the Group's profitability. With a modest forecast growth rate of 4% – 4.5%, the Government is expected to prioritise development expenditure on infrastructure such as water and sewage in rural areas, basic education and primary health care, which are crucial for securing high-quality economic growth. The Group will leverage on its operational performance of its existing projects and strong track record to secure new projects to replenish its order books in the coming year.

In the healthcare division, strategies to address the market downtrend include focusing on specialty glove and surgical glove segments which has received good responses from customers. This has enabled the division to penetrate into new overseas markets and increase sales.

Moving forward, the Group is embarking on steps towards achieving earnings growth prospects and will continue identifying growth opportunities.

## **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 31 December 2022, 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 shares

	Current Quarter Ended 31/12/2022	Comparative Quarter Ended 31/12/2021	Cumulative Quarter To-date	
			31/12/2022	31/12/2021
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(17,745)	(2,767)	(23,953)	14,094
- discontinued operations	(6)	(2,130)	(6)	(2,125)
	<u>(17,751)</u>	<u>(4,897)</u>	<u>(23,959)</u>	<u>11,969</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	995,376	992,227	995,376	992,227
Effect of shares repurchased during the period ('000)	(12,096)	(9,862)	(8,363)	(5,605)
Effect of shares distributed as dividend during the period ('000)	24,678	21,922	24,678	21,922
Weighted average number of ordinary shares ('000)	<u>1,007,958</u>	<u>1,004,287</u>	<u>1,011,691</u>	<u>1,008,544</u>
Basic earnings/(loss) per share (sen)				
* Note: Antidilutive				
- continuing operations	(1.76)	(0.28)	(2.37)	1.40
- discontinued operations	(0.00)	(0.21)	(0.00)	(0.21)
Total	<u>(1.76)</u>	<u>(0.49)</u>	<u>(2.37)</u>	<u>1.19</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 31/12/2022 RM'000	Cumulative Quarter Ended 31/12/2022 RM'000
Net realised foreign exchange gain/(loss)	(128)	(143)
Net unrealised foreign exchange gain/(loss)	612	1,327
Depreciation and amortization	(4,712)	(8,072)
	<u>(4,228)</u>	<u>(6,888)</u>



**SALCON BERHAD** (Company No: 593796-T)

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**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 28 February 2023.

**ON BEHALF OF THE BOARD**

**TAN SRI DATO' TEE TIAM LEE**  
**Executive Deputy Chairman**

Selangor Darul Ehsan  
28 February 2023