



Delivering a Sustainable Future

Integrated Annual Report 2023



Salcon's 50-Years Journey

Humble beginnings in 1974

We look back with pride and are proud of the journey that Salcon has embarked on; from our humble beginnings as a private limited company with its main stream business in water treatment and domestic water supply for palm oil mills and workers, swimming pools and selling

1974-1991



FOUNDING AND ESTABLISHMENT

Started as Salcon Engineering Sdn Bhd with main stream business comprising water treatment for palm oil mills, domestic water supply for plantation workers, swimming pools and engineering equipment selling.

Streamlined its activities to focus on water facilities design & engineering, operation, maintenance and investing in privatized projects in palm oil industries.

1992-2002



GEOGRAPHICALLY EXPANDING

Salcon diversified its portfolio into wastewater and sewage and expanded beyond Malaysia to regional markets in Asia - China, Vietnam, India, Sri Lanka & Thailand.

2003-2012



EXPANDING OUR CAPACITY

In Sept 2003, Salcon Berhad was listed on the Main Board of Bursa Malaysia Securities Berhad.

Unlocking the value of its water assets in China and disposing its entire portfolio of China water and wastewater concessions.

Awards & Recognitions

We take pride in our work, our environmental, social and governance performance and the contributions we make to our communities. We are delighted and honored to be recognized by respected organizations for our success. Recognition in the form of an award is an affirmation that these efforts have a positive impact.

Here's a closer look at our accolades ▶

ENGINEERING & CONSTRUCTION



Jabatan Perkhidmatan Pembetungan (JPP) and Yayasan Hijau Malaysia (Ya hijau)

- Pencapaian Cemerlang KPI YBM Tenaga, Teknologi Hijau & Air 2016



Institute Engineers Malaysia (IEM)

- IEM Award for Contribution to Engineering Industry in Malaysia 2015 - Water and Wastewater Engineering



Jabatan Perkhidmatan Pembetungan (JPP)

- Best Site Construction Management under the category of 'Projek Pembinaan Sistem Rangkaian Paip Pembetungan bernilai melebihi RM100 juta'

CORPORATE STRATEGY



The Edge Malaysia

- Best Mergers and Acquisitions (M&A) Deal for 2013

engineering equipment in 1974 to a company that has diversified businesses in water and wastewater engineering, glove manufacturing, technology services, transportation, renewable energy & property development. We have grown in strength throughout the years.



2013-2020



DIVERSIFIED OFFERINGS AND SUSTAINABILITY JOURNEY

Ventured into new sectors i.e. property development, technology services & transportation services, to build a resilient business model and to maximize values to our shareholders.

Consistently won sustainability awards by important and influential publications & organizations, a testament to our sustainability performance and strong Environmental, Social and Governance (“ESG”) practices.

Undertook complex projects, including large-scale infrastructure developments and water treatment facilities:

- a) Won Langat Centralised Sewage Treatment Plant.
- b) Secured Langat 2 Water Treatment Plant project - the largest single water contract in the history of the Malaysian water industry.

2021-2023



RE FOCUSED

Solidified its corporate purpose by crafting a comprehensive framework encompassing our vision, mission, shared values, and cultural beliefs, aligning our entire organization towards a common goal.

Salcon strengthened its position in the solar market in alignment with the global

shift towards renewable energy sources and sustainable practices. Our experience in infrastructure development and engineering plays a crucial role in the successful foray into solar energy projects, contributing to both environmental conservation and the diversification of our business portfolio.

SUSTAINABILITY



The Star ESG Positive Impact Awards

- The Star ESG Positive Impact Awards 2023 category Local Community - Gold



The Edge ESG Awards

- Equity - Utilities category 2022 - Silver



Asia Integrated Reporting Awards

1. Asia's Best Integrated Report (SME) 2022 - Gold
2. Asia's Best Integrated Report (SME) & (First Time) Award 2021 - Gold



Asia Sustainability Reporting Awards

1. Asia's Best Sustainability Report (SME) Award 2022 - Gold
2. Asia's Best Sustainability Report (within Annual Report) 2020 - Bronze
3. Asia's Best Sustainability Report (SME) Award 2018 & 2019
4. Asia's Best CSR Communication within Annual Report Award 2016 & 2017



CSR Malaysia Awards

- Company of the Year under the category of Engineering and Construction 2019
- Company of the Year under the category of Engineering and Construction 2018
- Pioneering CSR initiative 2017



Asia-Pacific Enterprises Leadership Awards (APELA) 2013

- Honorable Mention Award (Educational Service Award category)



Asia Responsible Entrepreneurship Awards (AREA) 2013 Southeast Asia

- Green Leadership Award



ASEAN HR Awards (Malaysia Category)

- Anugerah Personaliti Industri & Usahawan Malaysia 2019



Vision

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



Mission

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

Core Values

COMMITMENT



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

OWNERSHIP



We take full responsibility and accountability for all our actions

TEAMWORK



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

RESULTS ORIENTED



We strive towards maximising stakeholders' values and returns

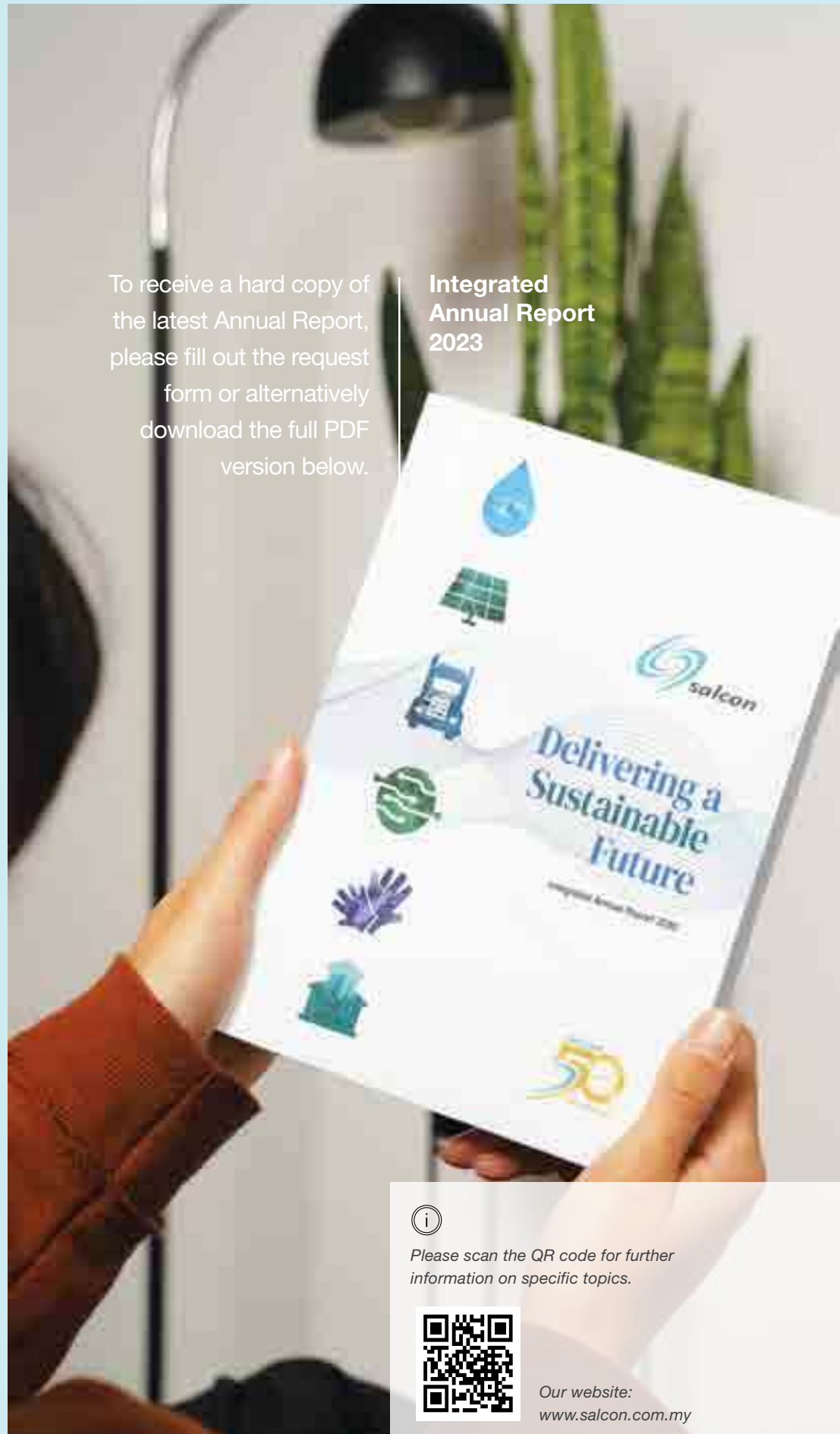
RESPECT



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

To receive a hard copy of the latest Annual Report, please fill out the request form or alternatively download the full PDF version below.

Integrated Annual Report 2023



Please scan the QR code for further information on specific topics.



Our website:
www.salcon.com.my

Delivering a Sustainable Future

At Salcon Berhad, we understand the lasting impact of our present actions on future generations. Our promise to ‘Deliver a Sustainable Future’ reflects our firm commitment to integrating sustainability into every aspect of our operations. This dedication seeks to achieve a balanced harmony between economic progress, societal well-being, and environmental stewardship. The waves depicted on our annual report cover embody our unwavering determination to sustain momentum in ongoing growth, empower our communities, and consistently drive value across our business environment.

21st Annual General Meeting

Broadcast Venue

Tricor Business Centre,
Gemilang Room,
Unit 29-02, Level 29, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

Thursday

13 June 2024

10:30 a.m.

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About This Report

Salcon Berhad (“Salcon” or “the Company”) is pleased to present its fourth integrated annual report, offering stakeholders a comprehensive overview of the Company’s performance, our value creation process and guiding philosophy. This report outlines the effects and uses of our capitals as well as our commitment to effective governance practices whilst managing the impacts of our businesses on the economy, environment, and society in the short, medium and long term.

SCOPE & BOUNDARY

This report covers financial and non-financial information and initiatives from 1 January 2023 to 31 December 2023. The scope includes our operations in Malaysia, Vietnam, Sri Lanka, India and the United Kingdom.

All financial statements have been prepared in accordance with the requirements of the Companies Act (“CA 2016”) and Malaysian Financial Reporting Standards (“MFRS”).

MATERIALITY

This report presents information about our material matters that contribute to value creation over the short, medium and long term. In determining the material matters, we are guided by the principle of materiality, focusing on information that is relevant or of significant interest to our stakeholders, in accordance with the listing requirements of Bursa Malaysia. This year, we conducted our 3rd Materiality Survey & Assessment involving both internal and external stakeholders to ensure alignment with the current business environment and to stay up-to-date on emerging trends and evolving stakeholder expectations. The results of the survey were presented to the Sustainability Committee and subsequently to the Board of Directors for their validation and approval. Throughout this report, we disclose our strategies and initiatives pertaining to these material matters.

REPORTING FRAMEWORK

This report is prepared with reference to and guided by recognised local and international standards which include:

KEY FRAMEWORKS APPLIED	CD	SD	FD
<IR> Framework by International Integrated Reporting Council (“IIRC”)	☑		
Malaysian Code on Corporate Governance 2021 (“MCCG”)	☑		
Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)	☑		☑
Companies Act 2016 (“CA 2016”)	☑		☑
Malaysian Financial Reporting Standards (“MFRS”)			☑
Bursa Malaysia Sustainability Reporting Guide 3 rd Edition		☑	
Bursa Malaysia Corporate Governance Guide 4 th Edition	☑	☑	
FTSE4Good Bursa Malaysia Index Rating Guide		☑	
Global Reporting Initiatives (“GRI”) Standards		☑	
Sustainability Accounting Standards Board (“SASB”) Standards		☑	
Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations		☑	

CD Corporate Disclosure SD Sustainability Disclosure FD Financial Disclosure

ASSURANCE STATEMENT

The Financial Statements in this report have been audited by KPMG. The Sustainability Statement and sustainability reporting processes have been reviewed by Salcon’s Internal Audit and Risk Management Department (“IARMD”). However, waste management and emissions management were excluded from audit, as it is only a requirement for Market Listed issuers to disclose these matters on or after the Financial Year End (“FYE”) of 31 December 2024.

IARMD has assured that adequate controls and processes are in place to guide the end-to-end Environmental, Social and Governance (“ESG”) information flow and integrity of the data produced and reported.

FORWARD-LOOKING STATEMENTS

This report may contain some forward-looking statements on the Company’s

goals, strategies and future plans. These statements have been written based on current information, assumptions, and expectations and are subject to change based on diverse factors beyond our control.

BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility to ensure the integrity of this Integrated Annual Report which, in its opinion, addresses the Group’s key material issues and fairly presents the Company’s performance for 2023.

FEEDBACK

We are committed to continually improving our reporting quality and we welcome any feedback or inquiries about this report. Please direct your concerns to corporate@salcon.com.my.

About This Report

NAVIGATION ICONS

OUR CAPITALS



Financial Capital



Human Capital



Manufactured Capital



Intellectual Capital



Natural Capital



Social & Relationship Capital

5 FOCUS AREA



Business Model & Innovation



Leadership & Governance



Human Capital



Environment



Social Capital

KEY MATERIAL ISSUES



Business Management and Delivery



Business Ethics and Corporate Governance



Supply Chain Management



Technology and Innovation



Occupational Health and Safety



Systematic Risk Management



Talent Attraction and Engagement



Environmental Impact Management



Climate Change



Community Engagement



Labour Rights and Practices

KEY RISKS



Financial Risk



Hypercompetitive Market Risk



Geopolitical Risk



Regulatory Risk



Project Management and Construction Risk



Supply Chain Risk



Health, Safety, Security and Environmental Risk



Human Capital Risk



Integrity Risk



Sustainability Risk



Technological Risk

STAKEHOLDERS



Clients



Business Associates/ Partners



Media



Industry Associations



Regulators/ Government Authorities



Non-governmental Organizations



Employees



Bankers



Suppliers/ Sub-contractors

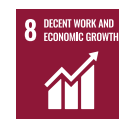


Local Community



Shareholders/ Investors

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



CROSS REFERENCE



Indicates where additional information can be found within the report.



Indicates where additional information can be found online at www.salcon.com.my.

Who We Are

Salcon Berhad (“Salcon”), is an investment holding company with diverse businesses operating across multiple countries. The Group is dedicated to advancing infrastructure development and socioeconomic progress through its key businesses which include water and wastewater engineering & construction, glove manufacturing, technology services, transportation, renewable energy, and property development.



Please scan this QR code for more information on our business.

Our Business

ENGINEERING & CONSTRUCTION

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



Where we operate:



Kindly refer to pages 38 to 40

GLOVE MANUFACTURING

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



Where we operate:



Kindly refer to pages 41 to 42

TECHNOLOGY SERVICES

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



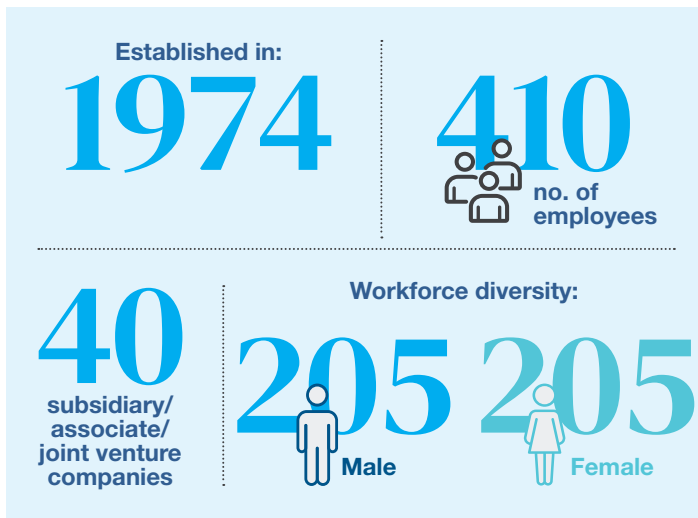
Where we operate:



Kindly refer to pages 43 to 44

At A Glance

Business Overview



Creating Meaningful Impact

PEOPLE



Achieved **0 work-related injuries** or fatalities of employee in FY2023

24.14% of women representation in senior management*
*Senior Manager and above

COMMUNITIES



Total of **30 volunteers** contributed 142 volunteer hours

RM77,155 invested for community development

ENVIRONMENT



4.9% CO₂ emission reduced from FY2022

Our Purpose

ENRICH

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

SUSTAINABLE

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

OPPORTUNITIES

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

TRANSPORTATION

We are a premier transport solutions provider for multinational companies in the northern region of Malaysia, as well as provide inbound and outbound tour services including providing palm oil and soy oil product transporting services.



Where we operate:



Kindly refer to pages 45 to 46

RENEWABLE ENERGY

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



Where we operate:



Kindly refer to pages 47 to 48

PROPERTY DEVELOPMENT

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



Where we operate:



Kindly refer to page 49

Segmental Overview

Water Engineering

Secured

10.44 MW

Small Hydro project valued at RM65 million

Wastewater Engineering

Secured

RM20.66 million

sewer reticulation project from Jurutera MTC Sdn Bhd

Renewable Energy

Selected as Solar Power Producer under the CGPP in developing Solar PV plant with

7 MW capacity

Technology Services

Delivered

6 new cell sites

& upgraded 24 existing cell sites along the LRT corridor

Glove Manufacturing

Obtained

2 new certifications

the Good Manufacturing Process ("GMP") certification and EU Type Examination Certificate (PPE III)

Transportation

ECT successfully launched

64 new fleets

to cater to its multinational companies' clients

Corporate Information

Board of Directors

TAN SRI ABDUL RASHID BIN ABDUL MANAF

*Chairman, Independent
Non-Executive Director*

TAN SRI DATO' TEE TIAM LEE

Executive Deputy Chairman

DATO' LEONG KOK WAH

Executive Director

DATIN GOH PHAIK LYNN

*Non-Independent
Non-Executive Director*

CHAN SENG FATT

*Senior Independent
Non-Executive Director*

DATO' ROSLI BIN MOHAMED NOR

*Independent
Non-Executive Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SUSTAINABILITY COMMITTEE

Dato' Rosli Bin Mohamed Nor (Chairman)
Dato' Leong Kok Wah
Leong Yi Shen
Jamiluddin Amini Bin Sulaiman
Chern Meng Gaik

COMPANY SECRETARIES

Law Mee Poo
(SSM PC No.: 201908002275)
(MAICSA 7033423)
Joanne Toh Joo Ann
(SSM PC No.: 202008001119)
(LS 0008574)

REGISTERED OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811
Email : corporate@salcon.com.my

HEAD OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811
Email : corporate@salcon.com.my

AUDITORS

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

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank (Malaysia) Berhad
RHB Bank Berhad
CIMB Bank Berhad

SHARE REGISTRAR

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

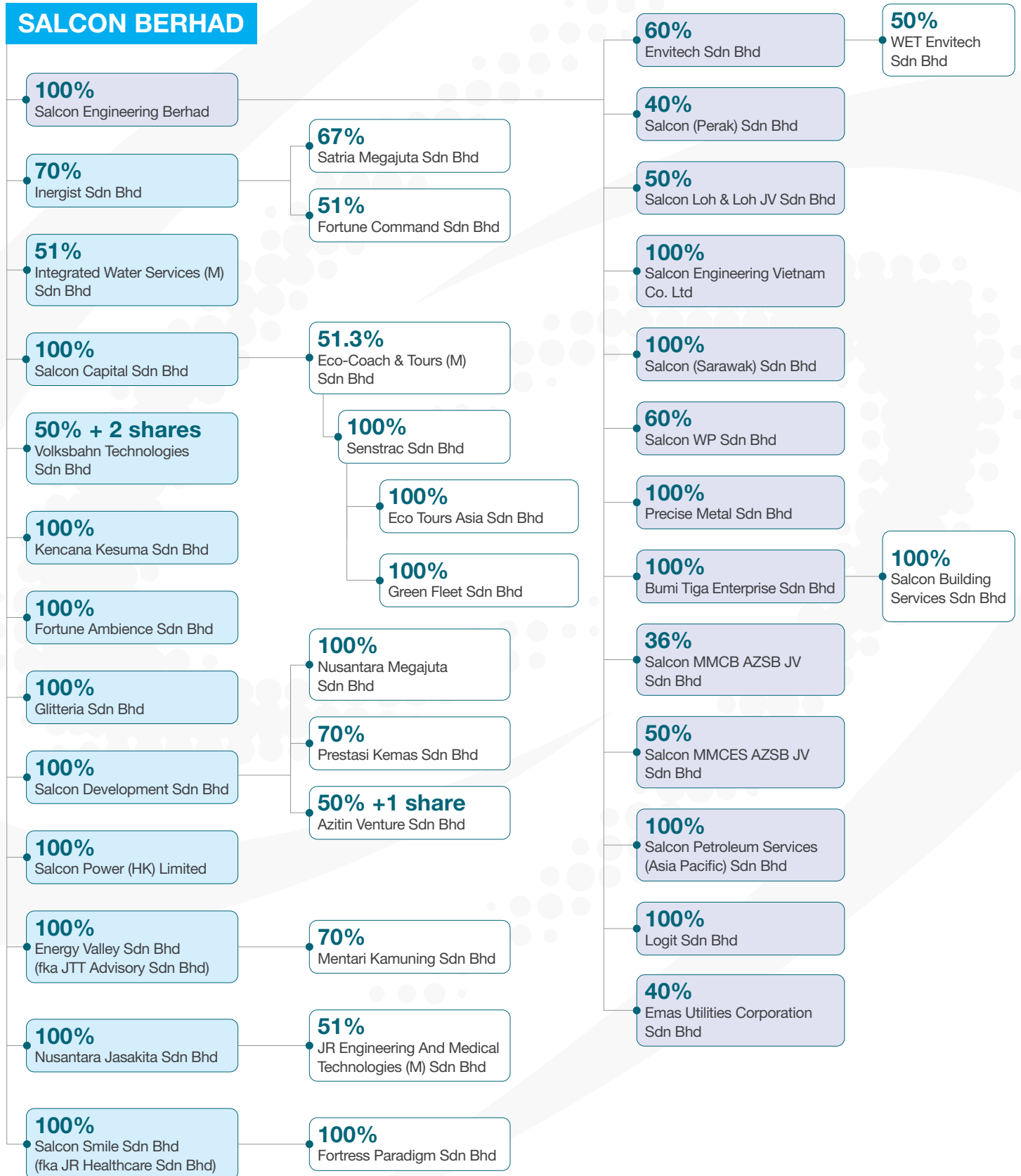
STOCK EXCHANGE LISTING

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

WEBSITE

www.salcon.com.my

Corporate Structure as at 1 April 2024



About This Report

Group Overview

Management Discussion & Analysis

Creating Sustainable Value

Governance

Financial Statements

Other Information

Strategic Review Chairman's Statement



Dear Valued Shareholders,

On behalf of the Board of Directors of Salcon Berhad (“Company”), it is my privilege to present to you the 2023 Integrated Annual Report & Audited Financial Statements of the Company and its subsidiaries (“Group”).

Strategic Review Chairman's Statement

Reflecting on the Year

During the year under review, the global economic landscape was marked by a widespread slowdown, soaring inflation, persistent geopolitical tensions and supply chain disruptions. Despite these hurdles, the Malaysia economy registered a moderate growth of 3.7%, driven by the momentum of post COVID-19 recovery, supportive government policies, an improved labour market and increase in commodity prices.

Against this backdrop, the Company demonstrated resilience, presenting an improved financial performance compared to the preceding year. Notably, losses were reduced to RM37.0 million, closing the financial year with a healthy financial position, recording cash and cash equivalents of RM155.8 million, and low gearing of 0.16.



Read more on our financial performance in the Group CFO's Statement on page 32 to 37.

Embedding Our ESG Commitment

Sustainability is a key driver of our value creation aspirations. By embedding sustainable practices into our operations and offering products and solutions that improve our customers' sustainability performance, we aim to drive positive impacts across our value chain and be recognized as an industry leader in ESG practices.

During the year under review, the Group successfully secured three (3) projects in the renewable energy sector. These include the EPCC of a 10.44 MW Small Hydro Powerplant at Sungai Selangor Dam (contract value RM 65.0 million), a 7.0 MW solar photovoltaic plant under the Corporate Green Power Programme ("CGPP") and installation of 862.5 kWp on the rooftop of HeveaBoard Berhad manufacturing

facility on a build-own-operate basis for a duration of twenty-five (25) years. These initiatives not only contribute to our business's future resilience but also serve as proactive measures to address ESG risks, aligning our strategies with the imperative challenges of climate change.

Our commitment to sustainability reporting was recognized with prestigious accolades, including the Gold award in the Asia's Best Integrated Report (SME) category at the 8th Asia Integrated Reporting Awards ("AIRA"). Salcon also secured Gold in the Star ESG Positive Impact Awards for its Salcon Smart Water Programme ("SSWP"), positively impacting and strengthening links with the local community within our locality of operations. Throughout the year, our dedication to good governance, resilience and innovative business practices has propelled us forward, driving growth and innovation within the Group.



Read more about our Sustainability initiative and commitments on pages 50 to 86.

Moving Forward

As we mark our 50th anniversary in April 2024, our determination to move forward remains unwavering as we commit to implementing prudent measures to recover and ensure sustainable growth.

With a renewed focus on adaptability and strategic planning through our 4 strategic growth drivers ie cost and organisational effectiveness, strategic diversification, embracing technology and innovations and sustainability as a new growth area, we aim to emerge stronger from this challenging period with the support and confidence of our shareholders in our journey back to financial stability and profitability.



Read more about our Business Environment, Strategic Growth Drivers and Key Initiatives on pages 12 to 13.

Appreciation

On behalf of the Board of Directors, I wish to express our heartfelt appreciation to our shareholders, clients, business partners, associates, banking partners, suppliers, and contractors for their unwavering support throughout our journey of achieving excellence. This significant milestone would not have been possible without your strong support, trust, and dedication.

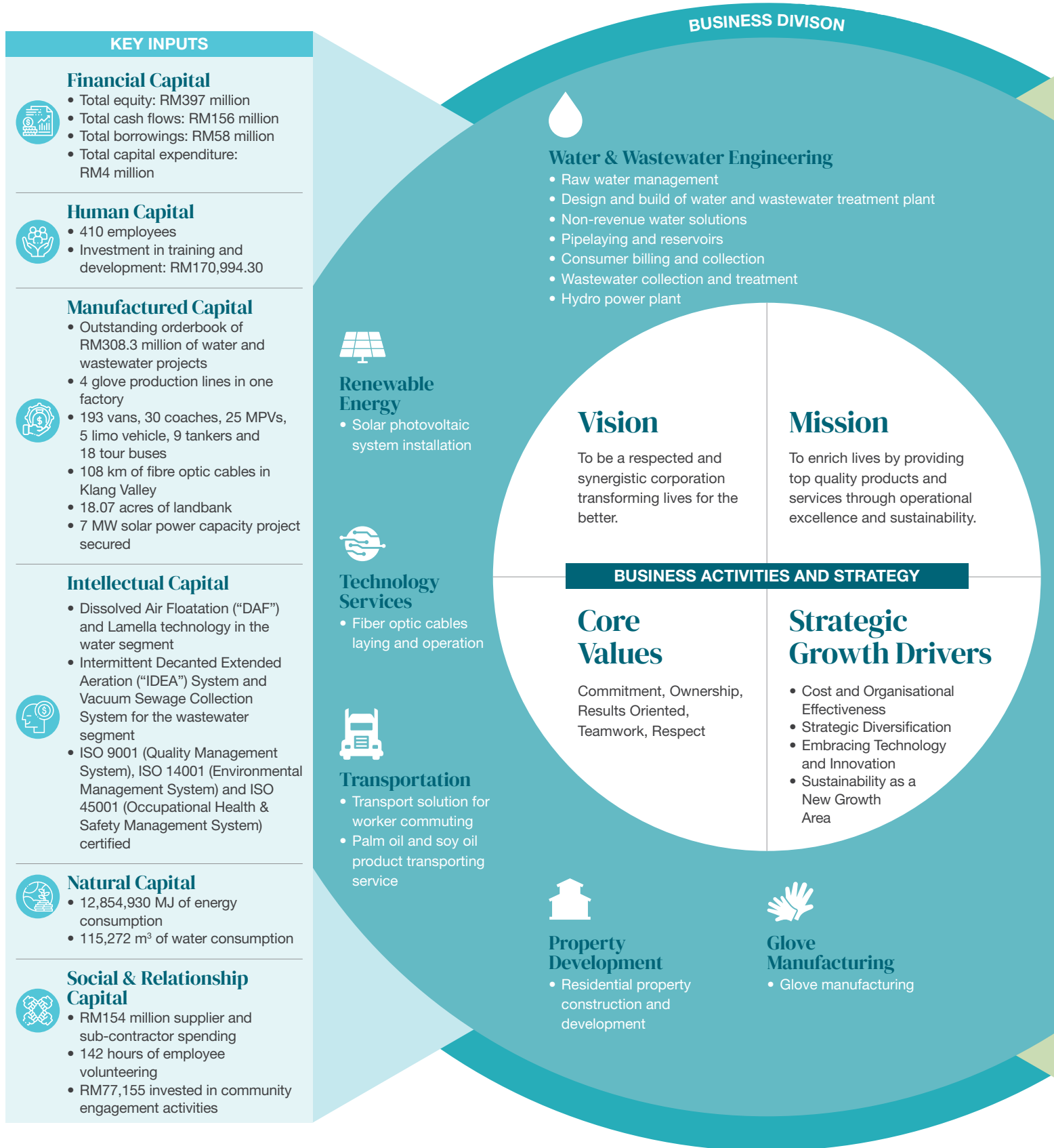
Additionally, I would like to extend a special thank you to the Management and staff as you are the backbone of our organization. Your hard work, commitment, and passion have propelled us through half a century of growth and innovation. Together, we have overcome challenges and achieved great successes. Your resilience and creativity continue to be our driving force, and I want to express my deepest appreciation for your loyalty.

Thank you.

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

Strategic Review

Value Creation Business Model



Strategic Review Value Creation Business Model

BUSINESS ENVIRONMENT

Operating Environment

- High Inflationary pressures
- Highly competitive markets & economic uncertainty
- Digital Economy
- Transition to the low-carbon economy

 Please see Market and Strategic Growth Drivers on page 12 for details.

Key Risks

- Financial Risk
- Hypercompetitive Market Risk
- Geopolitical Risk
- Regulatory Risk
- Project Management and Construction Risk
- Supply Chain Risk
- Health, Safety, Security and Environment (“HSSE”) Risk
- Human Capital Risk
- Integrity Risk
- Sustainability Risk
- Technological Risk

 Please see Key Risks & Mitigations on pages 26 to 31 for details.

Focus Areas & Material Issues

A) Business Model & Innovation

1. Business Management and Delivery
2. Supply Chain Management
3. Technology and Innovation

B) Leadership & Governance

1. Business Ethics and Corporate Governance
2. Systematic Risk Management

C) Human Capital

1. Occupational Health and Safety
2. Talent Attraction and Engagement
3. Labour Rights and Practices

D) Environment

1. Environmental Impact Management
2. Climate Change

E) Social Capital

1. Community Engagement

VALUE CREATED

Output

Outcome

Financial Capital

- Healthy gearing ratio at 0.16
- Dividend payment of RM4.8 million
- Loss after tax: RM37.0 million
- Interest paid to financial institutions: RM3.3 million

- Financial growth and stability
- Better attraction and retention of investors, shareholders, suppliers, business partners and clients

Stakeholders Involved:

Investors, Shareholders, Regulators, Suppliers, Business Partners, Clients

Human Capital

- RM25.4 million paid in salaries and rewards
- 16.7% female directors on the Board
- 50% female employees, with 30.5% managers and above
- 11,395,646.5 man-hours without loss time injuries (“LTI”)
- 0 Lost Time Injuries Frequency Rate (“LTIFR”) recorded
- 3,694 hours of training provided

- Safe working environment
- Employee engagement and retention
- Improved employee competency
- Career path enhancement
- High employee satisfaction

Stakeholders Involved:

Employees

Manufactured Capital

- 5 new glove products, with total production capacity of 420 million pieces annually
- Delivered 6 cells sites along the LRT corridor

- Enhanced branding and market positioning
- Long-term relationship with business partners
- Better quality of products and services
- Strategic collaboration to strengthen Company’s position

Stakeholders Involved:

Business Partners, Employees, Clients

Intellectual Capital

- Dissolved Air Floatation (“DAF”) and Lamella technology installation in various water treatment plants with a combined capacity of 2,735.6 MLD
- Vacuum Sewage Collection System installation with a capacity of more than 46,000 PE/10.4 MLD

- Innovative product portfolio
- Enhanced brand value
- Strengthened market positioning

Stakeholders Involved:

Clients, Investors

Natural Capital

- 4.9% of Green House Gas (“GHG”) reduction
- 4,281.9 kg of items recycled
- 2,806,683 kWh of renewable energy generated from renewable energy segment

- Mitigation of negative environmental impact
- Efficient resources consumption
- Responsible waste management

Stakeholders Involved:

Regulators

Social & Relationship Capital

- 98 nos. of Salcon Smart Water Programmes held, benefitting 3,326 students
- 945 beneficiaries from community and river programme activities
- 97.4% local procurement for all business division
- RM111,000 tax contributed

- Provision of job opportunities for suppliers, sub-contractors and business partners
- Contribution to local economic growth
- Suppliers and sub-contractors share common sustainability value
- Long-term relationship with suppliers and sub-contractors

Stakeholders Involved:

Community, Suppliers, Sub-contractors, Regulators, Employees

Strategic Review

Market and Strategic Growth Drivers

During the year under review, the Group remained resilient in facing a challenging business environment as we leveraged on our four (4) strategic growth drivers to capitalise on opportunities and position ourselves for long-term success in a dynamic and competitive marketplace.

Business Environment

High Inflationary pressures

High and sustained production costs due global supply chain disruptions, high raw materials costs such as steel and reinforced concrete, implementation of the minimum wage policy, labour shortages and the impact of the weak Malaysian Ringgit against the US Dollar.

Impact

- Profit margins are affected
- Delay in project deliverables

Highly competitive markets & economic uncertainty

Competition from other players in terms of price and quality. This is further exacerbated by competitors with bigger market reach.

Impact

- Challenging environment to secure new contracts
- Profit margins are affected by the highly competitive market

Digital Economy

Embracing the opportunities which digitalization brings, from automation to emerging technology, is necessary to respond to increasing complexity and competitiveness, reduce risk and stay relevant. Under MyDigital Blueprint, the Government aims to transform Malaysia into a digitally-driven, high income nation and a regional leader in digital economy.

Impact

- Investment in digital practices and technology across the most critical parts of the value chain
- Employees upskilling/reskilling

Transition to the low-carbon economy

Malaysia is committed to achieving carbon neutrality by 2050. In the Budget 2024, RM200 billion financing is allocated to encourage industries to transition to a low-carbon economy. In addition, various policies and frameworks were established to support this, such as the National Energy Transition Roadmap, Low Carbon Nation Aspiration 2040, and Low Carbon Mobility Blueprint.

Impact

- Provide opportunities for business growth
- More emphasis on low-carbon initiatives is required in the overall business strategy

Strategic Growth Drivers

Cost and Organisational Effectiveness

The Company fosters a culture of continuous improvement to optimize resources and processes within the organization. This includes negotiating with suppliers/sub-contractors, improving employee skills and performance monitoring to enhance productivity and minimize unnecessary expenses.

Strategic Diversification

Diversification to other businesses and expanding into new geographic areas has helped the Company to mitigate competitive challenges by spreading risks and leveraging opportunities in various industries.

This allows us to reduce dependency on the performance of any one particular business segment.

Embracing Technology and Innovation

The Company continues to leverage and invests in technology across its business operations, focusing on enhancing customer experience, increasing efficiencies to adapt and thrive in an increasingly digital environment.

Sustainability as a New Growth Area

By placing a strong emphasis on environmentally and socially responsible practices, the Company not only contributes to a better world but also strategically positions ourselves for long-term growth, market relevance, and resilience in an increasingly conscious marketplace.

Strategic Review Market and Strategic Growth Drivers

These 4 growth drivers represent a forward-looking strategy that encompasses both short-term recovery and long-term sustainable growth to propel us into a future defined by resilience, adaptability, and strategic growth.

2023 Initiatives	2024 Priorities	Divisions Involved	Relevant Key Risks and Material Issues
<ul style="list-style-type: none"> Performance driven culture with KPI setting and rewards system Effective procurement for cost efficient raw materials and less dependence on sole-supplier of critical materials Conversion of NGV to biomass technology to reduce energy costs Pass through costs on fuel prices in contract renewal 	<ul style="list-style-type: none"> Strengthen supply chain management to optimise project cost Upskilling and improve talent attraction & retention 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Transportation Property Development 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR1 KR3 KR5 KR6 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4
<ul style="list-style-type: none"> Product differentiation through innovation, quality and value-added features Expansion into EPCC of small hydro power plant Developed 5 new specialty gloves Secured extension contract for workers' transportation 	<ul style="list-style-type: none"> Constant look-out for new business opportunities to utilize surplus cash in hand Identify strategic collaborations to diversify risks 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Technology Property Development 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR2 KR3 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI3 MI4
<ul style="list-style-type: none"> Development of Employee Mobile App as part of enhancement of Senstrac integrated human resource and transport tracking solution Identified Mann Hummel as MBR Strategic Partner 100% geo-tagging of critical active equipment Invested in auto-pelleting & auto-pouching machine to seal pouches, resulting in 8x increase in efficiency compared to manual labour 	<ul style="list-style-type: none"> Continue to identify opportunities for optimization and automation for improved customer experience, increased productivity and protection of assets 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Technology Transportation Renewable Energy 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR8 KR11 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4
<ul style="list-style-type: none"> Selected as Solar Power Producer under Corporate Green Power Programme ("CGPP") Sealed long term Solar Power Purchase Agreement with HeveaBoard Berhad Installation of newly converted biomass boiler with efficient burning furnace and scrubber at our Healthcare facility Set short, medium and long-term environmental targets for each business unit 	<ul style="list-style-type: none"> Enhance the business model and broaden the solar PV system portfolio by engaging in joint ventures and partnerships Identify strategic partners to strengthen capabilities and build resilience Continue to embed culture of sustainability within business operations and keep abreast with industry development 	<ul style="list-style-type: none"> Transportation Renewable Energy 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR10 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4 MI8 MI9

Strategic Review

Stakeholder Engagement

Effective stakeholder engagement enhances the Group's value creation process as it provides diverse perspectives for comprehensive decision-making. By engaging with both our internal and external stakeholders through various communication platforms/channels, we aim to build trust through transparency, identify risks and opportunities, foster innovation through collaborative ideas, resolve conflicts whilst ensuring compliance and supporting a sustainable and responsible business practice.

During the year under review, we have reached out to our stakeholders through our 3rd Materiality Survey & Assessment. The following table summarizes our stakeholders' key priorities and concerns, our responses and strategies to address their expectations, and engagement approaches.

Our stakeholder engagement details:




Clients



Clients are at the heart of our business. By consistently delivering exceptional experiences and resolving issues efficiently, we aim to solidify trust, foster long-term partnerships, and ultimately drive mutual success.

Linkage to:



Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Top-quality products/ services Projects completed on time and within budget  Page 55	<ul style="list-style-type: none"> Efficient project management to ensure deliverables within budget and timeline Obtaining clients' feedback on our product quality and services and implementing improvements based on their input 	Regular & efficient project meetings Client Satisfaction Survey	As needed Annually	<ul style="list-style-type: none"> Building trust and positive partnerships Superior quality of services/products
Innovative solutions  Page 58	<ul style="list-style-type: none"> Identification of new strategic technology partners Work with institutions of higher learning to identify and develop relevant technologies Attend seminars to keep abreast on new technologies 	Strategic partnerships on technology & innovative products & solutions Research and Development	As needed Throughout the year	<ul style="list-style-type: none"> Strong brand positioning
Ethical business practices  Page 59	<ul style="list-style-type: none"> Establishment of ABAC policy Compliance with laws and regulations 	Briefings and training Whistleblowing channel	Throughout the year As needed	<ul style="list-style-type: none"> Building trust & transparency

Employees



Employees are the Company greatest assets and we aim to ensure an inclusive, safe, and supportive workplace which prioritizes their well-being to enhance productivity and ultimately creating sustainable value to achieve our Vision & Mission.

Linkage to: **G** **H** **MI2** **MI5** **MI7** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Workplace health and safety Page 62	<ul style="list-style-type: none"> Establishment of the Quality, Safety, Health and Environment Policy Proactive measures implemented to prevent incidents, minimize risks and raise awareness on Group-wide basis 	Toolbox briefing	Weekly	<ul style="list-style-type: none"> Safe, healthy and conducive working environment Reduction of incidents and/or accidents Improved knowledge/awareness of safety and health matters
		Safety, Health and Environment (“SHE”) Committee meeting	Quarterly	
		Training/briefing/awareness session	Throughout the year	
		Safety & Health campaign	Annually	
Learning and development Page 66	<ul style="list-style-type: none"> Provision of technical skills-based trainings, soft skills, leadership development workshop/seminars, certifications for continuous education 	Training/briefing/workshops opportunities	Throughout the year	<ul style="list-style-type: none"> Provide opportunities for personal development
Remuneration and benefits Page 64	<ul style="list-style-type: none"> Establishment of a transparent job performance review process Obtaining feedback from employees Regular review of employee benefits to ensure in line with market offerings 	Employee performance review	Annually	<ul style="list-style-type: none"> Respectful, diverse and inclusive workplace Talent attraction & retention
		Employee Satisfaction Survey	Bi-annually	
		Employee well-being benefits	Throughout the year	
Fair labour practices Page 69	<ul style="list-style-type: none"> Establishment and communication of Code of Ethics and Conduct (“COEC”), Human Rights Policy and Anti-Sexual Harassment Policy Establishment and communication of grievance mechanism for any work-related issues 	Onboarding session for new joiners	As needed	<ul style="list-style-type: none"> Harmonious, non-discriminatory and conducive working environment Talent attraction
		Employee Handbook	Throughout the year	

Strategic Review Stakeholder Engagement

Business Partners/Associate Partners



We foster good relationships with our business partners/associate partners to leverage on each other's expertise and accomplish common business goals.

Linkage to: **B** **G** **MI1**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long-term business relationship Page 54	<ul style="list-style-type: none"> Business strategy planning Regular project updates 	Strategic business plan meeting	Annually	<ul style="list-style-type: none"> Alignment of business objectives/inspiration Timely delivery of projects
		Financial & non-financial (ESG) updates meeting	Quarterly	

Regulators/Government Authorities



Working hand in hand with Regulators/Government Authorities is essential for the Company to operate ethically, competitively, and sustainably whilst contributing to healthy economic growth and the community.

Linkage to: **B** **G** **MI1** **MI2** **MI5** **MI8** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Compliance with statutory duties and responsibilities, regulatory frameworks Page 59	<ul style="list-style-type: none"> Robust internal controls and monitoring systems via policies such as ISO standards, COEC & ABAC Keep abreast with the latest changes through active engagement with authorities 	Compliance audit & reports	Annually	<ul style="list-style-type: none"> Contribute towards nation building Avoidance of fines and penalties
		Trainings, networking and engagement sessions through forums, weBinars and conferences	As needed	

Strategic Review Stakeholder Engagement

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Bankers/Investors

Our business sustainability is supported by our bankers/investors who help the Company grow its business and maintain its presence within the market.

Linkage to:  **B** **G** **MI1** **MI2**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long term growth and business prospects Sustainability performance  Page 50	<ul style="list-style-type: none"> Sharing the Company’s performance, business and strategies Update on key business developments, corporate initiatives 	Annual General Meeting	Annually	<ul style="list-style-type: none"> Open & transparent sharing of information Build trust and positive relations
		Salcon Website and Investor Relations webpage	As needed	
		Press releases/company announcements on Bursa website	As needed	

Suppliers/Sub-contractors

Suppliers/sub-contractors form a critical component of the Company’s business operations. As such, creating an environment that encourages mutual growth and success is important for us to build stronger, more sustainable and collaborative relationships.

Linkage to:  **B** **S** **MI1** **MI2** **MI3** **MI4** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long-term business relationship Fair and transparent tender processes Timely response and payments  Page 57	<ul style="list-style-type: none"> Provide fair opportunities to suppliers/sub-contractors Establishment of tender and procurement procedures through ISO Quality Management system Monitoring of suppliers/sub-contractors performance 	Tender advertisement	As needed	<ul style="list-style-type: none"> Business growth of suppliers/sub-contractors Fair & timely payment
		ISO9001 Quality Management Procurement procedures	Throughout the year	
		Suppliers/sub-contractors performance reviews	Annually	
ESG risks & opportunities (Human rights, environmental compliance, safety & health)  Page 57	<ul style="list-style-type: none"> Committing to our Statement of Policies and Business Ethics (“SPBE”) Monitoring of human rights, environmental & safety and health violations Inclusion of social compliance criteria into the suppliers/sub-contractors selection and performance criteria. 	Safety, health and environmental audit/ inspection	Quarterly	<ul style="list-style-type: none"> Avoidance of non-compliance with safety, health and environmental laws and regulations
		Group internal audit inspection	Annually	
		SPBE		

Strategic Review Stakeholder Engagement

Industry Associations

The Company fosters good relationships with its industry peers through participation in the industry associations. Participation is crucial to ensure the Company is updated with the latest industry requirements and directions and to build synergized efforts for the betterment of the industry.

Linkage to:   **B** **M1** **M14**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
<p>Sharing of best practices for the industry's growth</p> <p>Collaborative efforts among industry players to drive the national agenda</p>	<ul style="list-style-type: none"> Active participation in the activities organized by the industry associations Regular engagement with industry peers 	Industry conferences, exhibitions, workshops, webinars and dialogues	As needed	<ul style="list-style-type: none"> Strong relationships among industry peers Improved knowledge Enhanced business practices

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Media

Engaging with our stakeholders through various media channels allows for effective communication, collaboration, and relationship-building whilst fostering transparency and trust.

Linkage to:      **B** **E** **S** **M1** **M8** **M10**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
<p>Sharing of timely & accurate information ESG contributions</p>	<ul style="list-style-type: none"> Sharing of the Company's key corporate developments and contribution to the local community and environmental programs 	<p>Press release</p> <hr/> <p>Social media i.e. Salcon Facebook & LinkedIn</p>	<p>As needed</p> <hr/> <p>As needed</p>	<ul style="list-style-type: none"> Strong brand positioning and reputation

Non-governmental organizations (“NGOs”) and Community



The Company works hand-in-hand with various NGOs on social and environmental initiatives in community development projects and causes which are aligned to our values and goals of “Transforming lives for the better”.

Linkage to:

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Environmental impacts Page 84	<ul style="list-style-type: none"> Collaboration with NGO, Water Watch Penang to organize environmental awareness programs 	Environmental programs	As needed	<ul style="list-style-type: none"> Positive & long-term partnership for environmental conservation
Contribution to vulnerable communities Page 85	<ul style="list-style-type: none"> Financial and non-financial assistance to vulnerable communities 	Corporate social responsibility programs	As needed	<ul style="list-style-type: none"> Enhance living standards of underprivileged communities
Socio economic development Page 86	<ul style="list-style-type: none"> Offering internship opportunities & local employment 	Protégé programme & local employment	As needed	<ul style="list-style-type: none"> Contribute to socioeconomic development of communities

Strategic Review

Materiality Assessment

In FY2023, the Group undertook its 3rd Materiality Survey & Assessment, having conducted its previous surveys in 2017 & 2020 respectively. The Materiality Survey is conducted every 3 years with a broad stakeholder audience, to ensure that the Group stays up-to-date on emerging trends and evolving stakeholder expectations.

During the year under review, we engaged with our stakeholder groups via an online survey to identify and gauge the material issues that should be prioritized and received more than 180 responses from both internal (Board of Directors, senior management team, employees) and external stakeholders (clients, business partners, bankers, suppliers/sub-contractors, regulators/government authorities, industry associations, media and non-governmental organizations).

The materiality assessment process is guided by the Bursa Malaysia Sustainability Guide & Toolkits (3rd Edition), GRI Framework, <IR> Framework and SASB materiality map.

1. Review & identification of material issues

- Material issues were reviewed taking into account factors such as macroeconomic trends, issues which impact the Company's long-term value and ESG risks & opportunities.
- The list of material issues (11) and their categorization according to the Company's 5 focus areas have been maintained from the previous year as they remain relevant to the business and stakeholders.

2. Prioritization of material issues

- Through an online survey, external and internal stakeholders ranked the material issues deemed significant to them while the Salcon senior management team assessed the impact of the material issues to the Company's business.
- Input from the survey was then consolidated and ranked through a scoring methodology to weigh and prioritize input from the various stakeholders.
- The Sustainability Working Group ("SWG") met to review the results of the survey to ensure that the Group's material issues were relevant and reflective of our stakeholder's priorities and aspirations. This is to ensure that resources are directed toward addressing the most significant ESG issues and maximizing the impact of our sustainability initiatives.

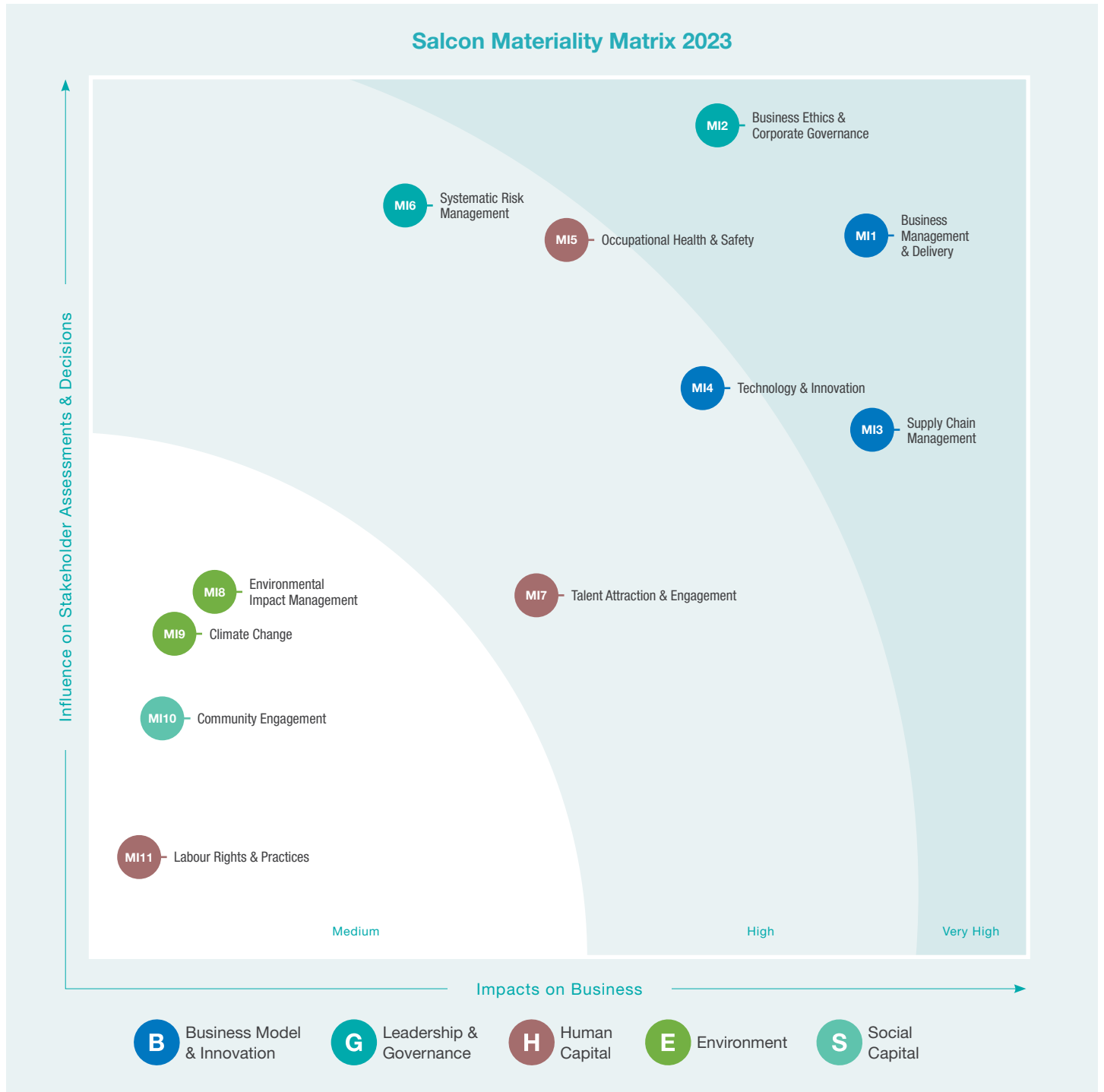
3. Validation & approval by the Sustainability Committee ("SC") & Board of Directors ("BOD")

- The outcome of the review and results of the materiality assessment was then presented to the SC & BOD for approval.

















Strategic Review Materiality Assessment

Materiality Matrix & Analysis

The Company's 11 key material issues are grouped in 5 focus areas: Business Model & Innovation, Leadership & Governance, Human Capital, Environment and Social Capital.



Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
<div style="display: flex; justify-content: space-between; align-items: center;"> B Business Model & Innovation In alignment with: UNGC Principle 9 <div style="display: flex; gap: 10px;">      </div> </div>					
<p>MI1 Business Management and Delivery</p> <p>Business Management and Delivery encompass business planning, financial management, and project delivery. These key concerns drive the Company's value, branding and market positioning.</p>	Maintained from the previous year.	<p>KR1 Financial Risk</p> <p>KR2 Hypercompetitive Market Risk</p> <p>KR3 Geopolitical Risk</p> <p>KR5 Project Management & Construction Risk</p>	<p> Clients</p> <p> Regulators/ Government Authorities</p>	<ul style="list-style-type: none"> Efficient project management to ensure deliverables are within budget and timeline <p> Pages 54 to 56</p>	<ul style="list-style-type: none"> Client satisfaction score
<p>MI3 Supply Chain Management</p> <p>Suppliers, sub-contractors and business partners are the backbone of ensuring the timely and effective delivery of projects and ensuring an ethical and sustainable business operation.</p>	Ranking moved up by one rank with the increasing awareness on the importance of ESG practices by business partners.	<p>KR5 Project Management & Construction Risk</p> <p>KR6 Supply Chain Risk</p>	<p> Suppliers/ Sub- contractors</p> <p> Business Partners</p>	<ul style="list-style-type: none"> Fair and transparent selection processes Regular engagement with suppliers/ sub-contractors and business partners to address ESG risks and expand opportunities <p> Pages 57 to 58</p>	<ul style="list-style-type: none"> Suppliers and Sub-contractors performance score
<p>MI4 Technology & Innovation</p> <p>As Malaysia enters the post pandemic phase, technology and innovation have largely influenced how businesses are conducted. Salcon leverages the use of technology and innovation to increase efficiency and productivity and to build competitive advantage within the industry.</p>	Moved down one rank but remains a material issue with high importance for stakeholders.	<p>KR11 Technological Risk</p>	<p> Suppliers/ Sub- contractors</p> <p> Business Partners</p> <p> Clients</p> <p> Employees</p>	<ul style="list-style-type: none"> Identify strategic opportunities to collaborate with industry leaders or technology service providers <p> Page 58</p>	<ul style="list-style-type: none"> Number of collaboration projects to improve technology and innovation adoption

Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
G Leadership & Governance In alignment with: UNGC Principle 10					
<p>MI2 Business Ethics and Corporate Governance</p> <p>Good corporate governance practices and high standards of ethical business conduct fosters trust and credibility with our stakeholders and contributes to the Company's sustainability and value creation.</p>	<p>Ranking moved up by three ranks, reflecting the increasing need for ethical business conduct and good corporate governance practices.</p>	<p>KR4 Regulatory Risk</p> <p>KR9 Integrity Risk</p>	<p>Shareholders/ Investors</p> <p>Regulators/ Government Authorities</p> <p>Suppliers/ Sub-contractors</p> <p>Business Partners</p> <p>Clients</p> <p>Employees</p>	<ul style="list-style-type: none"> Clear policies & practices in place to guide ethical business conduct Annual review of enterprise risks Appointment of Integrity Governance Champions <p> Page 60</p>	<ul style="list-style-type: none"> Fines or non-monetary sanctions for non-compliance with laws and regulations Percentage of new employees and suppliers/ sub-contractors communicated about the Company's policies
<p>MI6 Systematic Risk Management</p> <p>Risk management is crucial for the Company to minimize disruption to our businesses by mitigating potential impacts from the risks and identifying any opportunities.</p>	<p>Moved down by four ranks. This material issue remains a high concern for the business and stakeholders.</p>	<p>KR4 Regulatory Risk</p> <p>KR10 Sustainability Risk</p>	<p>Shareholders/ Investors</p> <p>Suppliers/ Sub-contractors</p> <p>Regulators/ Government Authorities</p> <p>Clients</p>	<ul style="list-style-type: none"> Group Enterprise Risk Management Framework in place and regularly assessed to guide the risk management practices in the Company Annual review of enterprise risks <p> Page 60</p>	<ul style="list-style-type: none"> Annual performance review on enterprise risks

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Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
H Human Capital In alignment with: UNGC Principle 1, 2, 3, 4, 5, 6 <div style="text-align: right; font-size: small;">       </div>					
<p>MI5 Occupational Health and Safety</p> <p>Our top priority is the safety and health of our employees, suppliers and sub-contractors. A safe working environment is important to ensure optimum work productivity.</p>	<p>Ranking moved up by one rank in alignment with the Company's continuous commitment for the safety of all its stakeholders.</p>	<p>KR7 Health, Safety, Security and Environmental Risk</p>	<p>Employees</p> <p>Suppliers/ Sub-contractors</p> <p>Regulators/ Government Authorities</p>	<ul style="list-style-type: none"> Ongoing safety and health programs to promote safe working culture <p> Pages 62 to 64</p>	<ul style="list-style-type: none"> Lost Time Injury ("LTI") Percentage completion of safety and health training
<p>MI7 Talent Attraction and Engagement</p> <p>Talent attraction and engagement include good corporate culture, attractive remuneration packages, learning opportunities, career development, equal opportunities and a conducive and engaging working environment.</p>	<p>Ranking was maintained from the previous year.</p>	<p>KR8 Human Capital Risk</p>	<p>Employees</p>	<ul style="list-style-type: none"> Equal opportunity and non-discriminatory recruitment and rewards Provision of personal development courses and technical training for employees <p> Pages 64 to 69</p>	<ul style="list-style-type: none"> Training hours Turnover rate Percentage of employee participation in the Company's activities Percentage of female employees in managerial positions and within the Board
<p>MI11 Labour Rights and Practices</p> <p>Fair labour practices empower workers and fosters a positive work environment.</p>	<p>Ranking moved down by one rank with strengthened controls in place to ensure compliance with labour acts and regulations.</p>	<p>KR8 Human Capital Risk</p>	<p>Employees</p> <p>Suppliers/ Sub-contractors</p>	<ul style="list-style-type: none"> Clear policies to guide and maintain fair labour practices <p> Page 69</p>	<ul style="list-style-type: none"> Non-compliance with the Employment Act and Labour Law

Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
E Environment In alignment with: UNGC Principle 7, 8, 9 					
MI8 Environmental Impact Management Managing the Company's environmental impacts through close monitoring, preventative and remedial actions ensures that natural resources are used efficiently and responsibly.	Ranking maintained from the previous year.	KR7 Health, Safety, Security and Environmental Risk	 Regulators/ Government Authorities  Non- governmental Organisations  Suppliers/ Sub- contractors  Local Community	<ul style="list-style-type: none"> Track, monitor and manage use of resources such as energy and water Track, monitor and manage amount of waste generated Pollution control and management  Pages 70 to 76	<ul style="list-style-type: none"> Energy consumption intensity Water consumption intensity Compliance with environmental laws and regulations
MI9 Climate Change Climate change leads to business disruptions. Hence, climate risk assessment, adaptation and mitigation strategies are crucial to prepare the Company to face the impact of climate change.	Ranking was maintained from the previous year.	KR10 Sustainability Risk	 Regulators/ Government Authorities  Business Partners  Clients	<ul style="list-style-type: none"> Track and monitor carbon footprint and implement initiatives to reduce GHG emissions  Pages 76 to 82	<ul style="list-style-type: none"> GHG emission intensity
S Social Capital In alignment with: UNGC Principle 1 					
MI10 Community Engagement The local community where the Company operates supports the growth of the Company. As a responsible organization, the Company supports local community development by improving the quality of life through education, financial support, and provision of job opportunities.	Ranking moved up by one rank. This aligns with the Company's commitment to support underprivileged communities.	KR10 Sustainability Risk	 Local Community	<ul style="list-style-type: none"> Engagement programs with the local community through three main pillars of Education, Environment and Community Charitable giving  Pages 83 to 86	<ul style="list-style-type: none"> Number of engagement programs conducted Number of beneficiaries

Strategic Review

Key Risks & Mitigations

In line with the ISO 31000:2018, Salcon adopts an Enterprise Risk Management Process that is designed to achieve its strategic objective and value-creation opportunities to the Group. The Board, through its Audit and Risk Management Committee (“ARMC”) has undertaken various initiatives to strengthen and enhance risk management process across the Group and at the business unit level.

The ARMC has identified Salcon’s key business risks that may impact of the Group’s ability to achieve its strategic objective. The ARMC is further supported by the Senior Management via Risk Management Working Group (“RMWG”) in ensuring that these risks are monitored and managed within the Group’s acceptable risk appetite and tolerance level.

Details of the risk management framework, internal control system and activities carried out, are presented in the Statement of Risk Management and Internal Control (“SORMIC”) on page 107 of this Annual Report.

The identified common key risks to the Group and mitigation measures are as below:

Financial Risk			KR1
Target Risk Rating: Low	Related Material Matters : MI1 MI6		
Description	Mitigation Measures	Potential Impact on Value	
Credit risk exposure to external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates, and etc.	Corporate Finance constantly monitor and report the Group’s gearing positions and fluctuations of foreign exchange to the Board KR Committee to ensure that debts and foreign exchange fluctuations are within the Group’s threshold levels. The Group’s risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements on pages 186 to 198.	<ol style="list-style-type: none"> 1. High interest expense. 2. High cost of purchase/expenses. 3. Higher financing costs. 4. Affects overall viability and profitability of Projects. 5. Affects the financial forecast/projections. 	

Hypercompetitive Market Risk			KR2
Target Risk Rating: Medium	Related Material Matters : MI1 MI2 MI7		
Description	Mitigation Measures	Potential Impact on Value	
Occurs when there are competitors evolve, respond and innovate so quickly that any competitive advantage an organisation establishes cannot be sustained in terms of products, services, process and business models.	Stay informed about industry trends, customer preferences, and competitor activities through market research.	<ol style="list-style-type: none"> 1. Reduced profit margins and financial stability to gain market share via competitive price. 2. Financial instability with higher costs incurred by constant investment in marketing and technology and talent. 3. Financial instability due inability to meet annual sales budget with fixed overhead costs. 	
	Explore new products, services or markets to reduce dependence on single source of revenue.		
	Attract and retain skilled personnel to ensure company remains competitive through expertise.		

Strategic Review Key Risks & Mitigations

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Geopolitical Risk

KR3

Target Risk Rating: **Low**

Related Material Matters : **MI2**

Description	Mitigation Measures	Potential Impact on Value
Changes in political, economic geography on politics, national power and foreign policy affecting Salcon's investments.	Obtain political risk insurance coverage to protect against potential losses due to political events such as expropriation, currency inconvertibility, or contract repudiation.	<ol style="list-style-type: none"> 1. Market volatility in financial markets that lead to rapid and unpredictable price movements in stocks, company investment and currencies. 2. Political instability erode investor sentiment and confidence that affects overall viability of future projects. 3. Adjustment of interest rate decisions from central bank policies that lead to higher costs that impact borrowing costs and investment decisions. 4. Affects the financial forecast/projections.
	Conduct thorough political and country risk analysis to assess the political landscape, stability, and potential risks associated with specific regions or countries.	

Regulatory Risk

KR4

Target Risk Rating: **Medium**

Related Material Matters : **MI1 MI6**

Description	Mitigation Measures	Potential Impact on Value
Unintentionally or intentionally to comply/non-compliance with regulatory requirements imposed by statutory and other regulatory bodies (local and overseas).	Regularly monitor compliance with laws, regulations, and internal policies. Implement enforcement mechanisms and disciplinary actions for non-compliance, ensuring consistency in addressing violations and promoting accountability.	<ol style="list-style-type: none"> 1. Additional cost incurred due to non-compliances. 2. Stop work order by regulator may lead to delay in project completion, idling cost and exposure to Liquidated Ascertained Damages ("LAD"). 3. Financial costs from remediation, possible litigations, fines or loss compensation. 4. Reputational damage affects ability to attract future capital from bank and investors.

Strategic Review

Key Risks & Mitigations

Project Management and Construction Risk

KR5

Target Risk Rating: HighRelated Material Matters : MI1 MI6

Description	Mitigation Measures	Potential Impact on Value
Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes.	Proper selection of sub-contractors, suppliers, consultants, and etc.	<ol style="list-style-type: none"> 1. Delay in project handover and exposure to Liquidated Ascertained Damages (“LAD”). 2. Delays in finalising documentation for contractual claims reduces cash flow and profitability. 3. Wasted budget allocation to rectify issues on resources. 4. Inability to meet customer satisfaction and may exposure to lose of potential business opportunities. 5. Potential legal suits from creditors/customers, resulting in reputational risks.
	Form Project Management Team to oversee and closely monitor on the project progress.	
	Conduct periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation, and others.	
	Strengthened in-house training measures to improve Project Management Team capabilities.	
	Innovate and develop strategies that enhance operational efficiency and cost optimisation.	

Supply Chain Risk

KR6

Target Risk Rating: LowRelated Material Matters : MI1 MI3 MI4

Description	Mitigation Measures	Potential Impact on Value
Risk of unethical business practices/compliances through the supply chain management and processes.	Active sourcing for alternative materials or suppliers to ensure smooth supply of materials and reduce dependencies.	<ol style="list-style-type: none"> 1. Delay in project completion/product or service delivery, resulting in higher costs than budgeted. 2. Inability to meet customer satisfaction and may expose to lose of potential business opportunities. 3. Loss of competitive advantage.
Risk of supply chain disruption arising from material shortages/global shipment congestion.	New supplier to undergo a pre-qualification process prior to being included in the panel of approved suppliers.	
	Yearly evaluation is conducted on existing suppliers and sub-contractors to assess their performance in areas including service delivery, quality of products and price competitiveness.	

Strategic Review Key Risks & Mitigations

Health, Safety, Security and Environment (HSSE) Risk

KR7

Target Risk Rating: **Medium**

Related Material Matters : **MI2** **MI9**

Description	Mitigation Measures	Potential Impact on Value
Potential threats or dangers that can impact individual well-being, the protection of property and the preservation of the environment.	Well-defined health and safety policies and procedures are in place.	<ol style="list-style-type: none"> 1. Increased operating costs (e.g., higher compliance costs, increased insurance premiums). 2. Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment). 3. Change in revenue mix and sources, resulting in decreased revenues. 4. Research and development (“R&D”) expenditures in new and alternative technologies. 5. Significant fines and/or imprisonment from breaching the applicable legal or regulatory requirements. 6. Reputational damage affects ability to attract future capital from bank and investors.
	Constantly raise awareness of health and safety via training.	
	Audits and inspections are conducted periodically to ensure effective implementation and compliance.	
	Pro-actively monitor and update relevant SOPs to be in line with the government’s policies, frequent communication to employees on the development and precautions needed and improve work environment conditions.	
	Provide and enforce the use of appropriate PPE and ensure the usage of PPE are compliance with relevant regulations and standards.	
Develop and regularly practice emergency response plan to ensure a swift and effective response in case of accidents.		

Human Capital Risk

KR8

Target Risk Rating: **Medium**

Related Material Matters : **MI5** **MI11**

Description	Mitigation Measures	Potential Impact on Value
Inability to effectively manage succession planning, attract new talents, retain top talents in competitive market and adequately promote diversity and inclusion.	Competitive salary packages, attractive performance-based rewards and positive working environment.	<ol style="list-style-type: none"> 1. Higher turnover rates and difficulties in attracting and retaining talent, results in increased recruitment and training costs. 2. Decreased productivity and suboptimal performance from lack of skills and inadequate training, impact operations and ultimate the financial results. 3. Operational disruptions due to ineffective staffing process affecting productivity and reduction in profitability. 4. Financial cost from remediation, possible litigation and complaints to Industrial Court.
	Proactive succession and workforce planning to identify skill gaps and talent development needs.	

Strategic Review

Key Risks & Mitigations

Integrity Risk

KR9

Target Risk Rating: LowRelated Material Matters : MI2 MI6

Description	Mitigation Measures	Potential Impact on Value
Inability to manage actions that could facilitate integrity breaches such as conflict of interests, corruptions/briberies, etc; which carries serious consequences for business and employees such as fines, civil penalties, criminal charges, and etc.	Formulate, disseminate, implement and enforce applicable policies/guidelines such as Code of Ethics and Conduct ("COEC"), Anti-Bribery & Anti-Corruption Policy ("ABAC"), Whistleblowing Policy, and etc.	<ol style="list-style-type: none"> 1. Disruption to operations, resulting in loss of sales and cash flow. 2. Significant fines and/or imprisonment from breaching the applicable laws and regulations. 3. Reputation damage to Salcon Group/ Subsidiaries resulting to inability to attract capital from banks and investors.
	Instill employees' education/participation/ understanding of integrity via acknowledgements of COEC, ABAC declarations, and etc.	
	Periodic campaigns to promote, raise and sustain integrity awareness and culture within the Group.	

Sustainability Risk

KR10

Target Risk Rating: HighRelated Material Matters : MI2 MI8 MI9

Description	Mitigation Measures	Potential Impact on Value
Inability to account for and manage uncertain or changing social or environmental events or conditions whereby during its occurrence, may or can cause significant negative impact and conversely, opportunities; on or for the Company.	Periodic campaigns to promote, raise and sustain ESG awareness and culture within the Group, such as recycling campaigns, tree planting exercises, and etc.	<ol style="list-style-type: none"> 1. Disruptions to business operations, resulting in loss of sales and cash flow. 2. Additional time and cost incurred due to inability/delay in re-activation of business activities. 3. Possible legal consequences from breaching environmental laws and regulations. 4. Reputational damage affects ability to attract future capital from bank and investors.
	The Group's Sustainability Committee holds periodic meetings to discuss on sustainability issues; as guided by the Group's Senior Advisor, Dato' Dr. Tan Yew Chong, in advising the Group on matters relating to government policies and for bringing in trade and investment to the country.	

Strategic Review Key Risks & Mitigations

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Technological Risk KR11

Target Risk Rating: Low

Related Material Matters : MI4

Description	Mitigation Measures	Potential Impact on Value
Technological changes affecting the industry, such as substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies, and cost to transition to lower emission technology.	Develop a comprehensive technology strategy and roadmap aligned with the organization's strategic goals.	<ol style="list-style-type: none"> 1. Major time and cost investment to stay abreast of the latest advancements in technology development to remain competitive and meet evolving customer expectations. 2. Disruption to operational capability due to breakdown of critical ICT systems and equipment, resulting in loss of profitability and cash flow. 3. Non-compliance to regulatory developments related to technology and leads to fines and legal consequences, affecting financial value. 4. Cybersecurity threats can result in financial losses, regulatory penalties and damage to company's reputation, impacting its financial value.
	Identify the impact of risks such as technology obsolescence, compatibility issues, data security, or vendor lock-in and develop contingency plans to address identified risks.	

As based on existing TricorRadar heat map system

	Very Significant
	High
	Medium
	Low

Financial Performance Review

Group CFO's Statement

Dear valued stakeholders,

I present before you the financials for FY2023.

DIVISIONAL FINANCIAL REVIEW

Group Financial Performance

RM'000	2023	2022	Var
REVENUE	154,610	204,109	-24%
LOSS BEFORE TAX	(38,397)	(51,640)	26%
NET LOSS	(36,975)	(41,326)	11%

The Group achieved a total revenue of RM154.6 million in FY2023, compared to RM204.1 million in the preceding financial year, representing a decrease of 24% attributed mainly due to lower completion of projects from Engineering & Constructions Division.

The Group recorded lower loss before tax of RM38.4 million compared to loss before tax of RM51.6 million in the previous year mainly due to RM24.9 million impairment losses on intangible assets and property, plant and equipment.

The Group has reported a lower net loss of RM37.0 million in the current financial year, compared to the net loss of RM41.3 million reported in the previous year mainly due to RM32.8 million losses in the Glove Manufacturing Division in FY2023.

Consolidated Cash Flow Analysis for FY2023

RM'000	2023	2022
Net cash generated from operating activities	2,022	39,096
Net cash generated (used in)/from investing activities	(655)	3,010
Net cash from/(used in) financing activities	15,451	(21,496)
Effects of exchange rate changes	(1,075)	(1,074)
Net increase in cash at year end	16,818	20,599
Cash & bank balances	155,793	140,072

The net cash generated from operating activities has reduced as compared to FY2022. The net cash used in investing activities amounts to RM655,000 for FY2023 is higher compared to cash flow from FY2022, mainly due to the acquisition of other investments in FY2023. Net cash from financing activities amounts to RM15.5 million in FY2023 compared to net cash used in FY2022 of RM21.5 million mainly due to more drawdown of borrowings in FY2023. The cash & bank balance as at FY2023 is 11% higher at RM155.8 million compared to FY2022 at RM140.1 million.

Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	42,974	15,360	58,334

The Group has recorded borrowings of RM58.3 million as compared to RM25.5 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed to more drawdown on borrowings in FY2023.

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

Financial Performance Review Group CFO's Statement

Capital Management

RM'000	2023	2022
Total borrowings	58,334	25,537
Lease liabilities	5,576	1,809
Less: Total cash & bank balances	(155,793)	(140,072)
Net borrowings	(91,883)	(112,726)
Owners' equity and non-controlling interests	396,595	447,630
Net gearing ratio (times)	0.16	0.06

In line with the Group's emphasis in prudent cash flow management, our Group is committed to maintain a healthy balance sheet with low gearing. Being in a net cash position, we are able to repay any short term and long term borrowings. Owner's Equity and Non-Controlling Interest decreased 13% from RM447.6 million in FY2022 to RM396.6 million in FY2023.

Consolidated Financial Position Analysis for FY2023

RM'000	2023	2022	Var
Non-current assets	187,651	200,934	-7%
Current assets	387,929	393,250	-1%
Total assets	575,580	594,184	-3%
Non-current liabilities	36,261	23,728	53%
Current liabilities	142,724	122,826	16%
Total liabilities	178,985	146,554	22%
Owners' equity	389,075	425,031	-8%
Current ratio (times)	2.72	3.20	-15%
Net assets per share attributable to equity holders (RM)	0.38	0.42	-8%

Total assets

The Group's total assets recorded RM575.6 million, decreased by 3% compared to RM594.2 million in FY2022 mainly due to impairment losses on intangible assets and property, plant and equipment attributed by our Glove Manufacturing Division (RM24.9 million) and impairment losses on investment in joint ventures and associates company attributed by our Engineering & Construction Division (RM7.5 million).

Total liabilities

Total liabilities of the Group recorded at RM179.0 million in FY2023, increased by 22% compared to RM146.6 million in FY2022 mainly attributed to the increase in borrowings.

Owners' equity

Owners' equity decreased by 8% to RM389.1 million mainly due to losses in FY2023.

Current ratio

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity recorded at 2.72 times in FY2023, decreased by 15% compared to 3.20 times in FY2022. The current ratio indicates that the Group has adequate liquidity to cover short-term obligations.

Dividend Payout

FY2022

The Company paid an interim dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2022.

Financial Performance Review Group CFO's Statement

FINANCIAL PERFORMANCE

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2023	2022	2021	2020	2019
FINANCIAL RESULTS					
Revenue	154,610	204,109	286,893	194,148	191,292
(Loss)/Profit Before Tax	(38,397)	(51,640)	27,478	(8,750)	(7,331)
Net (Loss)/Profit	(36,975)	(41,326)	16,776	(8,057)	(8,967)
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	155,793	140,072	120,536	142,836	121,344
Total Assets	575,580	594,184	661,260	594,247	574,291
Total Liabilities	178,985	146,554	166,831	126,484	125,066
Total Borrowings	58,334	25,537	39,432	32,065	24,102
Share Capital (No. of Shares) ('000)	1,012,413	1,012,413	1,012,413	1,012,413	847,113
Owners' Equity	389,075	425,031	454,834	445,514	428,236
Total Equity	396,595	447,630	494,429	467,763	449,225
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	(2.11)	(2.40)	1.19	(0.70)	(1.03)
Share Price at Year End (RM)	0.285	0.230	0.250	0.260	0.245
Price Earnings Ratio (times)	(0.14)	(0.10)	0.21	(0.37)	(0.24)
Return on Owners' Equity (%)	-5.45%	-5.72%	2.63%	-1.36%	-2.02%
Return on Total Assets (%)	-3.68%	-4.09%	1.81%	-1.02%	-1.51%
Dividend Payout to Earning Ratio (%)	-22.84%	-23.00%	31.26%	-106.08%	-88.06%
Net Gearing Ratio (times)	0.16	0.06	0.08	0.07	0.06

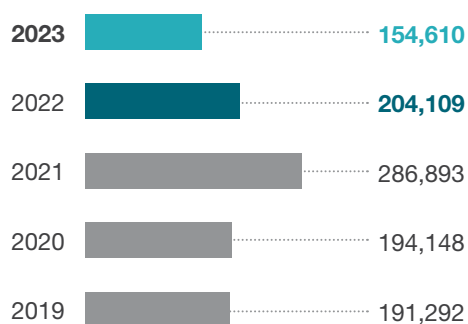
Financial Performance Review Group CFO's Statement

GROUP FINANCIAL HIGHLIGHTS

Revenue (RM'000)

154,610

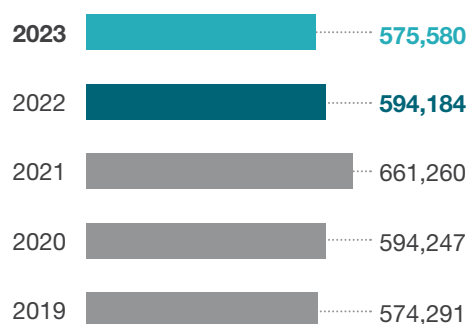
FY2022: 204,109



Total Assets (RM'000)

575,580

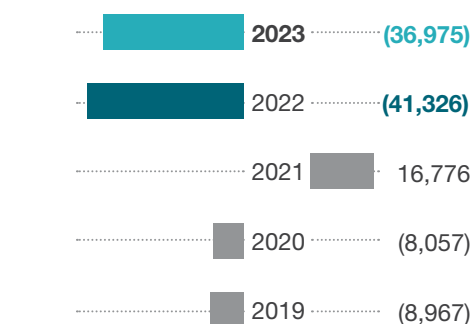
FY2022: 594,184



Net (Loss)/Profit (RM'000)

(36,975)

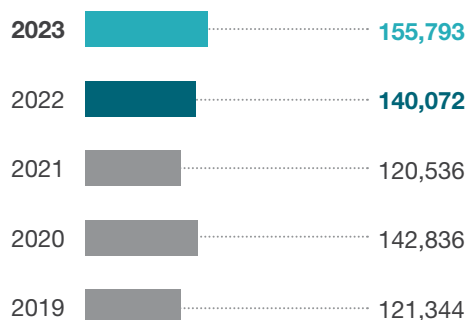
FY2022: (41,326)



Total Cash & Cash Equivalents (RM'000)

155,793

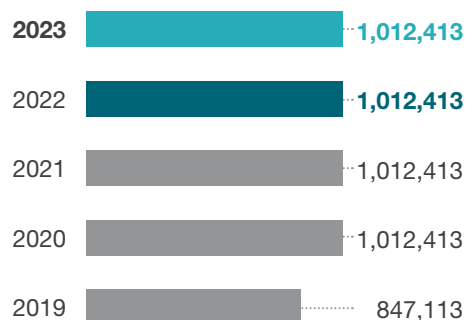
FY2022: 140,072



Share Capital (No. of Shares) ('000)

1,012,413

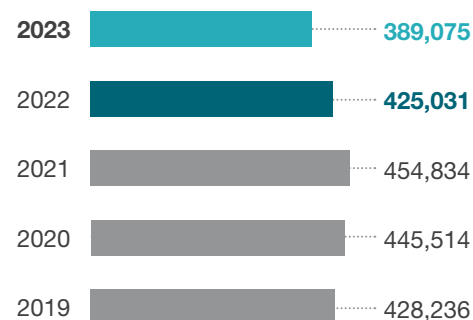
FY2022: 1,012,413



Owners' Equity (RM'000)

389,075

FY2022: 425,031



Financial Performance Review Group CFO's Statement

GROUP SEGMENTAL PERFORMANCE

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2023	2022	2021	2020	2019
GROUP REVENUE					
Engineering & Construction	102,484	134,762	136,298	153,593	163,456
Property Development	-	-	2,177	23,763	7,773
Trading & Services	13,591	17,080	15,574	16,792	19,181
Glove Manufacturing	38,535	52,267	132,844	-	-
Concessions	-	-	-	-	882
Revenue	154,610	204,109	286,893	194,148	191,292
GROUP (LOSS)/PROFIT BEFORE TAX					
Engineering & Construction	(9,657)	(2,436)	10,056	(3,778)	1,648
Property Development	(2,353)	(2,433)	(2,438)	(4,861)	(3,598)
Trading & Services	6,364	3,688	963	(478)	(7,719)
Glove Manufacturing	(34,545)	(50,708)	18,680	-	-
Concessions	1,794	269	217	367	2,338
(Loss)/Profit Before Tax	(38,397)	(51,640)	27,478	(8,750)	(7,331)
GROUP NET (LOSS)/PROFIT					
Engineering & Construction	(9,084)	(1,832)	7,620	(4,741)	(3)
Property Development	(2,744)	(2,675)	(2,606)	(4,486)	(3,857)
Trading & Services	5,902	3,027	426	(885)	(8,230)
Glove Manufacturing	(32,843)	(40,109)	13,244	-	-
Concessions	1,794	269	217	367	2,341
Discontinued Operations	-	(6)	(2,125)	1,688	782
Net (Loss)/Profit	(36,975)	(41,326)	16,776	(8,057)	(8,967)

Segmental Analysis

Engineering & Construction Division

During the financial year, the Division recorded loss before tax of RM9.7 million as compared to loss before tax of RM2.4 million in the preceding year mainly due to impairment losses of RM7.5 million on investment in joint ventures and associates company in the current financial year.

Glove Manufacturing Division

The Division recorded loss before tax of RM34.5 million as compared to loss before tax of RM50.7 million in the preceding year mainly due to impairment losses of RM26.1 million on intangible assets, property, plant and equipment and right-of-use assets in the current financial year.

Property Development Division

The Division recorded loss before tax of RM2.4 million in the current year cumulative quarter as compared to loss before tax of RM2.4 million in the preceding year mainly due to finance costs incurred in the current financial year.

Financial Performance Review Group CFO's Statement

Trading & Services Division

Under the Trading and Services Division, revenue recorded RM13.6 million as compared to RM17.1 million in the preceding year. The Division recorded a profit before tax of RM6.4 million as compared to a profit before tax of RM3.7 million in the preceding year mainly due to gain on deregistration of subsidiaries in the current financial year.

STATEMENT OF VALUE ADDED AND DISTRIBUTION

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

RM'000	2023	2022
VALUE ADDED:		
Revenue	154,610	204,109
Purchases of goods & services	158,082	(219,680)
Value added by the Group	(3,417)	(15,571)
Share of profit of associated companies and joint ventures	7,624	4,133
Total value added for distribution	4,152	(11,438)
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	25,361	26,515
To Governments		
- Taxation	(1,422)	(10,320)
To Rakyat		
- Community Investment	65	53
To providers of capital		
- Dividends	4,840	5,594
- Finance cost	3,283	2,673
- Non-controlling interest	(15,782)	(16,996)
Retained for future reinvestment & growth		
- Depreciation and amortization	13,840	10,967
- Retained loss	(26,033)	(29,924)
Total Distributed	4,152	(11,438)
RECONCILIATION :		
Net Loss for the year attributable equity holders	(21,193)	(24,330)
Add: Depreciation and amortization	13,840	10,967
Finance cost	3,283	2,673
Staff costs	25,361	26,515
Community Investment	65	53
Taxation	(1,422)	(10,320)
Non-controlling interest	(15,782)	(16,996)
Total Value Added	4,152	(11,438)