



Moving Forward
With Resilience

Annual Report 2018





Moving Forward With Resilience

Salcon is ever mindful of its role as a responsible corporate citizen and is cognizant of the fact that the sustainability initiatives derived from its businesses can bring about positive impacts to the communities and the environment in which it operates.

This year's cover reflects the resiliency of Salcon in building long term shareholder values through the optimization of its business portfolio to enable it to expand to new markets, new technologies and new geographical areas.

As such, the Group constantly move towards greater transparency and sustainability through good corporate culture and governance.

Go Digital

Go paperless to help our environment. Instantly access an online copy of our comprehensive report through your device by scanning this QR code.



Scan the QR code to find more information.





Vision

To be a world leader
in water and sanitation services.



Mission

To provide quality water and
sanitation services through
innovation and capable human
resource whilst upholding our
corporate social responsibilities.

Core Values



Teamwork

We believe that mutual accountability and unified efforts bring about greater synergy and productivity in our pursuit for excellence.



Commitment

We are committed to delivering consistent and high quality products and services through the most efficient and optimum use of available resources.



Professionalism

We believe in the highest level of competence, integrity and thoroughness in achieving distinction in all aspects of our work.



Respect

We respect our employees regardless of gender, race or religion and inspire them to be the best they can be.



Results


We strive towards maximizing stakeholders' values and returns.


What's Inside

p. 22 Chairman's Statement



16th Annual General Meeting

 Wednesday, 19 June 2019

 10.30 a.m.

 Victorian Ballroom, Level 1,
Holiday Villa Hotel & Conference Centre,
9 Jalan SS12/1, 47500 Subang Jaya,
Selangor Darul Ehsan.

p. 34 Sustainability Statement



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• Proxy Form

p. 72 Corporate Governance





2018 At A Glance

BUSINESS SECTORS



**WATER &
WASTEWATER
ENGINEERING**



**PROPERTY
DEVELOPMENT**

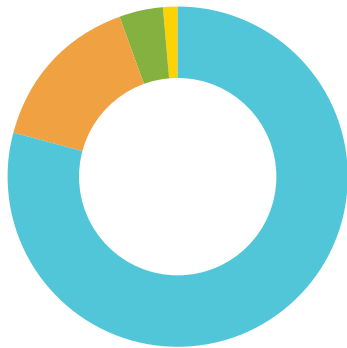


**TECHNOLOGY
SERVICES**

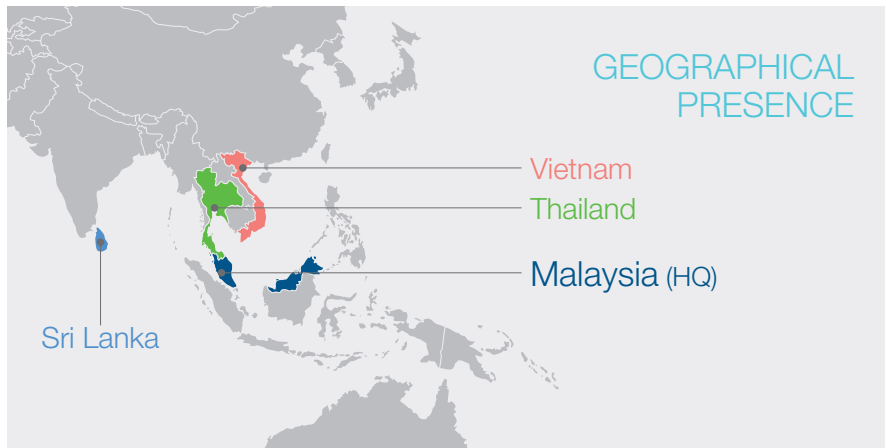


**TRANSPORTATION
& OTHERS**

Segmental
Revenue (RM'000)



	Engineering & Construction	103,125
	Trading & Services	20,008
	Property Development	5,607
	Concessions	1,481



Over

1000

water & wastewater projects
completed



A total of

334

employees in all operations

AWARDS



CSR Malaysia Award 2018



ASRA

Asia Sustainability Reporting
Awards (ASRA) 2018
- Asia's Best Sustainability Report (SME)

Corporate Information

Board of Directors

Dato' Seri (Dr.) Goh Eng Toon
Chairman, Non-Independent
Non-Executive Director
(Resigned on 31/12/2018)

**Tan Sri Abdul Rashid
bin Abdul Manaf**
Chairman, Independent
Non-Executive Director
(Appointed on 2/1/2019)

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Dato' Choong Moh Kheng
Independent Non-Executive Director

Chan Seng Fatt
Independent Non-Executive Director

Dato' Rosli bin Mohamed Nor
Independent Non-Executive Director
(Appointed on 2/7/2018)

Audit Committee

Chan Seng Fatt (*Chairman*)
Dato' Choong Moh Kheng
(Resigned on 2/7/2018 and
re-appointed on 31/12/2018)
Dato' Rosli bin Mohamed Nor
(Appointed on 2/7/2018)
Dato' Seri (Dr.) Goh Eng Toon
(Resigned on 31/12/2018)

Nomination Committee

Chan Seng Fatt (*Chairman*)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor
(Appointed on 31/12/2018)
Dato' Seri (Dr.) Goh Eng Toon
(Resigned on 31/12/2018)

Remuneration Committee

Chan Seng Fatt (*Chairman*)
(Re-designated from member
to Chairman on 31/12/2018)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor
(Appointed on 31/12/2018)
Dato' Seri (Dr.) Goh Eng Toon
(Resigned on 31/12/2018)

Risk Management Committee

Chan Seng Fatt (*Chairman*)
Dato' Leong Kok Wah
Law Woo Hock
Ooi Cheng Swee @ Wee Kwee Swee
Jamiluddin Amini Bin Sulaiman

Sustainability Committee

Dato' Rosli bin Mohamed Nor (*Chairman*)
(Appointed on 2/7/2018)
Dato' Leong Kok Wah
Ooi Cheng Swee @ Wee Kwee Swee
Law Woo Hock
Chern Meng Gaik

Company Secretaries

Wong Wai Foong (MAICSA 7001358)
Joanne Toh Joo Ann (LS 0008574)

Registered Office

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

Head Office

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

Auditors

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

Principal Bankers

Hong Leong Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad

Share Registrar

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

Stock Exchange Listing

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

Website

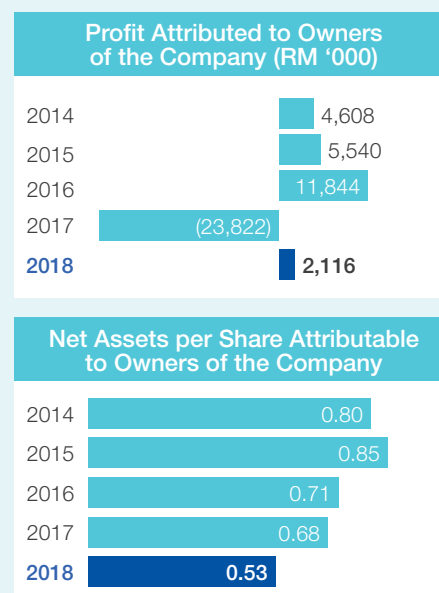
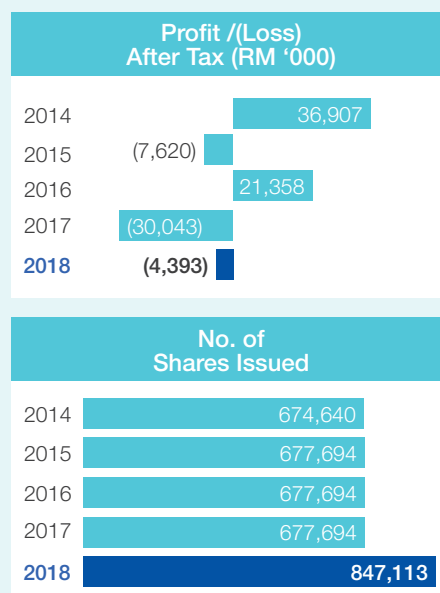
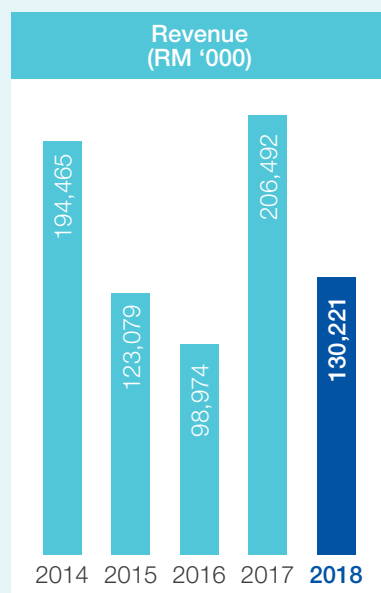
www.salcon.com.my

Financial Highlights

	2014 (restated)	2015	2016	2017	2018
Revenue (RM '000)	194,465	123,079	98,974	206,492	130,221
Profit /(Loss) Before Tax (RM '000)	5,656	19,839	(11,687)	(34,785)	(1,562)
Profit /(Loss) After Tax (RM '000)	36,907	(7,620)	21,358	(30,043)	(4,393)
Profit Attributed to Owners of the Company (RM '000)	4,608	5,540	11,844	(23,822)	2,116
Total Assets (RM '000)	950,387	950,743	727,337	628,905	609,410
Total Liabilities (RM '000)	308,421	346,782	204,269	143,777	136,399
Total Equity Attributable to Owners of the Company (RM '000)	540,416	576,748	483,982	458,157	451,161
No. of Shares Issued ('000)	674,640	677,694	677,694	677,694	847,113
Net Assets per Share Attributable to Owners of the Company (RM)	0.80	0.85	0.71	0.68	0.53
Basic Earnings per Share (sen)	0.71	0.82	1.81	(3.52)	0.25
Dividend per Share (sen)	3.0	2.0	*	1.0	**
Return on Equity (%)	0.85	0.96	2.45	(5.20)	0.47
Share Price (Min) (RM)	0.555	0.555	0.545	0.390	0.22
Share Price (Max) (RM)	1.010	0.955	0.685	0.705	0.41

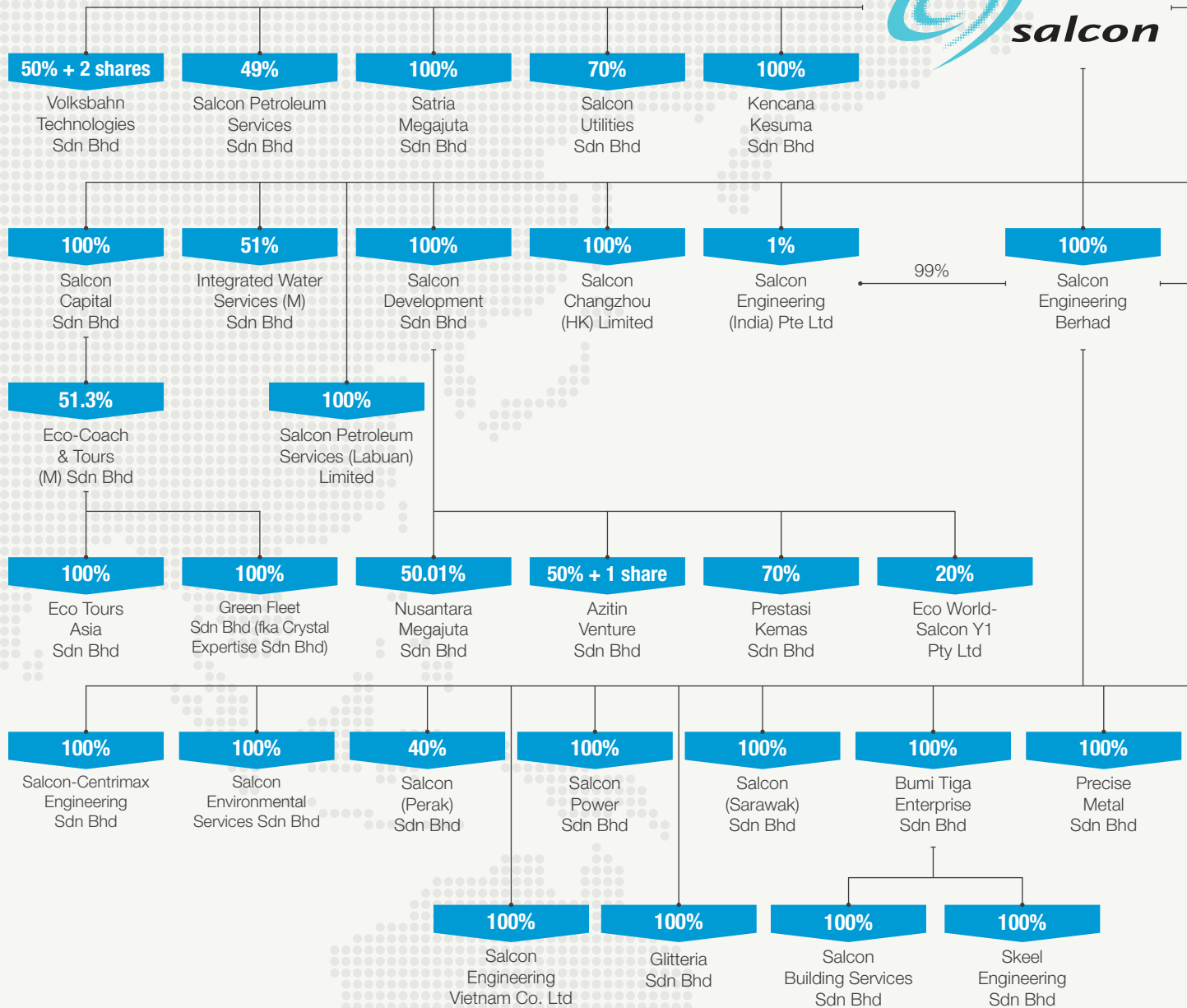
* One (1) Treasury share for every eighteen (18) existing ordinary shares held in the Company in 2016.

** Proposed one (1) Treasury share for every twenty-nine (29) existing ordinary shares held in the Company in 2018.



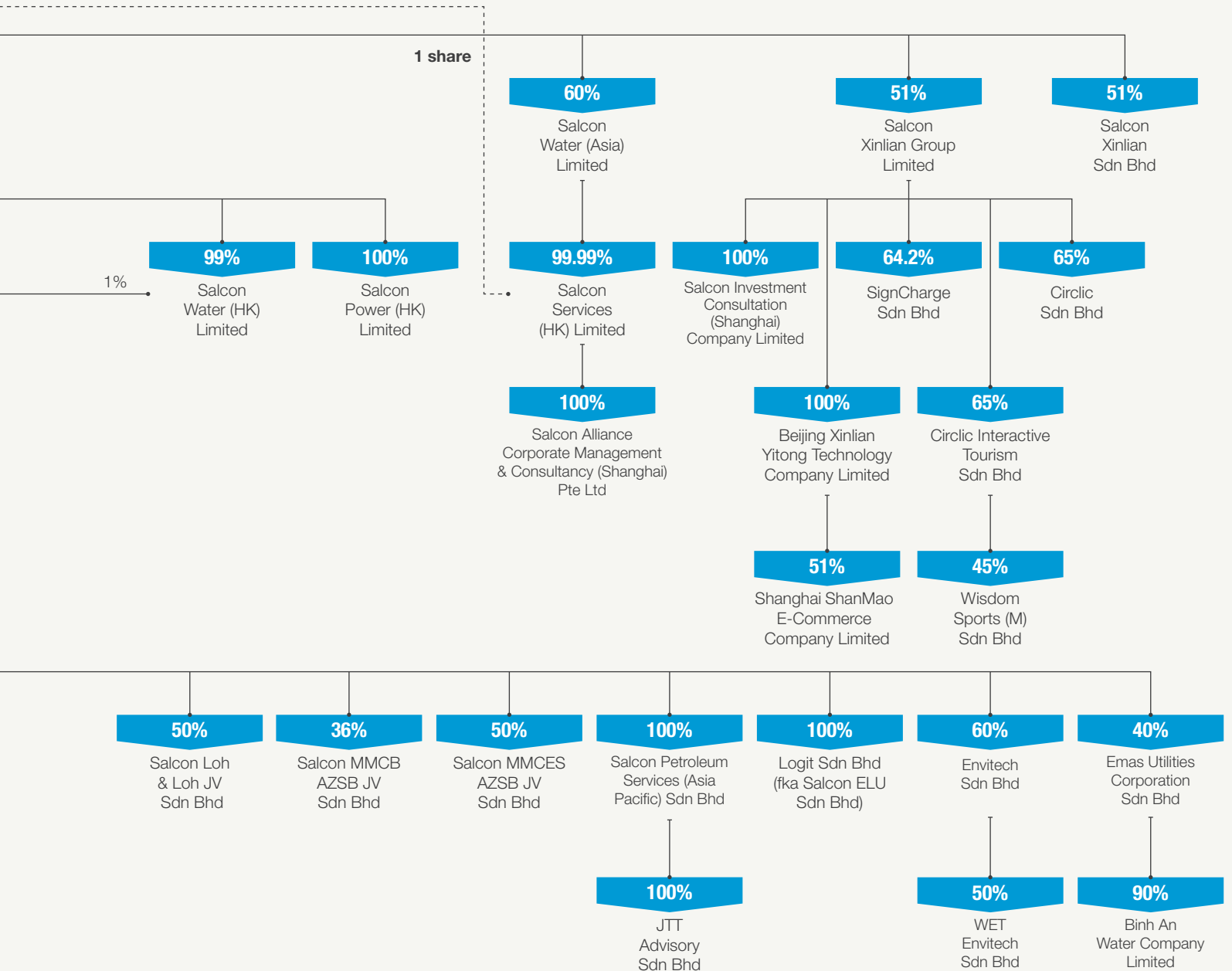
Corporate Structure

as at 1 April 2019



Corporate Structure

as at 1 April 2019







Growth in Resilience

In this evolving operational environment, the Board with the support from the management team, adapts and creates resilient business strategies and models that view progress on sustainability as a means of long-term value creation and innovation.

Board of Directors

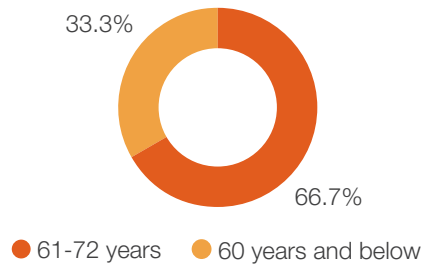


Board of Directors

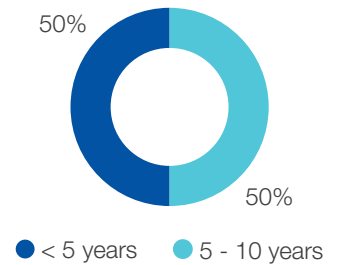


- 1 Tan Sri Abdul Rashid Bin Abdul Manaf**
Chairman, Independent Non-Executive Director
- 2 Tan Sri Dato' Tee Tiam Lee**
Executive Deputy Chairman
- 3 Dato' Leong Kok Wah**
Executive Director
- 4 Dato' Choong Moh Kheng**
Independent Non-Executive Director
- 5 Chan Seng Fatt**
Independent Non-Executive Director
- 6 Dato' Rosli Bin Mohamed Nor**
Independent Non-Executive Director

Board of Directors Age Composition



Length of Service



- AC** Audit Committee
- NC** Nomination Committee
- RC** Remuneration Committee

- RMC** Risk Management Committee
- SC** Sustainability Committee

Profile of Directors

Name	Position	Age	Nationality
Tan Sri Abdul Rashid Bin Abdul Manaf	Chairman, Independent Non-Executive Director	72	Malaysian



Tan Sri Abdul Rashid Bin Abdul Manaf, aged 72, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

Tan Sri read law at Middle Temple, London, England and returned to Malaysia in 1970 as a Barrister-at-law.

Tan Sri Abdul Rashid is now a full-time businessman. Before venturing into business, he was a senior partner in a legal

firm in Kuala Lumpur until his retirement on 24 August 2006. He joined the Malaysian Judicial and Legal Service in 1970 and was appointed as a Magistrate at Kuala Lumpur until 1973. He was later made the President of the Sessions Court in Klang. In 1975, he became the Senior Federal Counsel for the Income Tax Department. He left Government Service in 1977.

He was the Chairman of the Board of S P Setia Berhad from 1996 until 2012.

Tan Sri Abdul Rashid is currently the Founder and Non-Independent Non-Executive Director of Eco World Development Group Berhad. He is also the Group Chairman of Cahya Mata Sarawak Berhad.

Profile of Directors

Name	Position	Age	Nationality
Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	61	Malaysian



Tan Sri Dato' Tee Tiam Lee, aged 61, male, was appointed to the Board of Salcon on 1 January 2010.

Tan Sri Dato' Tee has an extensive career and has vast experience in various industries including insurance, water engineering/treatment, hotel management, property investment and oil palm plantation business.

He began his career in insurance in 1976 after finishing his secondary education and has more than 30 years experience in this industry to-date.


Tan Sri Dato' Tee was a Director, members of Remuneration Committee, Risk Management Committee and Underwriting Committee of MUI Continental Insurance Berhad.

He is also a Director of several private limited companies including Hotel Sri Hoover Sdn Bhd which deals in hotel management, and Tabir Arena Sdn Bhd, Jouta Plantation Sdn Bhd and Evergreen Comfort Sdn Bhd, which deal in oil palm plantation business in the east coast of West Malaysia.

He is the Chairman of The Mines Residents Association (MRA) and is also a Director of the Chinese Chamber of Commerce in Terengganu since 1995.

Currently, Tan Sri Dato' Tee holds the position of Honorary President of Malaysia-China Chamber of Commerce (MCCC), The Federation of Malaysia Chinese Guilds Association and The Federation of Hokkien Association of Malaysia. Apart from this, he is the Founder-Member of The Federation of Chinese Associations Malaysia and Eminent Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM).

Profile of Directors

Name	Position		Age	Nationality
Dato' Leong Kok Wah	Executive Director		65	Malaysian



Dato' Leong Kok Wah, aged 65, male, was appointed to the Board of Salcon on 1 January 2010.

He holds a Master's degree in Business Administration (MBA) from University of Hull, United Kingdom ("UK") and is a member of Institute of Bankers (UK), Institute of Credit Management (UK), Institute of Marketing (UK) and Asian Institute of Chartered Bankers (AICB) (formerly known as Institute of Bankers Malaysia).

Dato' Leong has an extensive career and held senior positions in the banking industry. He has vast experience in stock broking, asset management and futures and options trading. He sits on the Board of various companies in Malaysia. He was formerly a Director of S P Setia Berhad.

Dato' Leong is a Non-Independent Non-Executive Deputy Chairman and shareholder of Eco-World Development

Group Berhad. He also sits on the Board of MUI Continental Berhad (formerly known as MUI Continental Insurance Berhad).

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

Profile of Directors

Name	Position		Age	Nationality
Dato' Choong Moh Kheng	Independent Non-Executive Director	AC NC RC	63	Malaysian



Dato' Choong Moh Kheng, aged 63, male, was appointed to the Board of Salcon on 3 January 2011.

He holds a Bachelor of Science (Honors) Civil Engineering from Manchester University, United Kingdom and obtained his post-graduated degree in Master of Business Administration from Golden Gate University, San Francisco, United States of America.

Dato' Choong has an extensive working experience in both Civil and Building works include Astrid Meadows luxurious Condominium Project, Singapore (\$55.1 million), Gleneagles Hospital Extension, Singapore (\$150 million) and North-South Interurban Toll Expressway, Sungkai to Slim River, Perak (RM332 million).

Dato' Choong is currently the Managing Director of Pembinaan Punca Cergas Sdn

Bhd ("PPC"). He is also the founder director and Joint Managing Director of PPC group of companies. His active involvement in the industry includes being the Honorary Treasurer of the Road Engineering Association of Malaysia (REAM).

Dato' Choong is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Profile of Directors

Name	Position	Age	Nationality
Chan Seng Fatt	Independent Non-Executive Director AC NC RC RMC	55	Malaysian



Chan Seng Fatt, aged 55, male, a Chartered Accountant of the Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr. Chan Seng Fatt has an extensive career exposure spanning more than 30 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation and general management.

Mr Chan Seng Fatt has held several senior positions in various private and public companies. He joined Multi-Purpose

Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive

Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in Oct 2007 and held the position till Dec 2012.

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

Mr Chan is the Chairman of Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. He also is the Senior Independent Director of the Company.

Profile of Directors

Name	Position	Age	Nationality
Dato' Rosli Bin Mohamed Nor	Independent Non-Executive Director AC NC RC SC	60	Malaysian



Notes:-

- All Directors are Malaysian.
- There is no family relationship between the Directors and/or major shareholders of the Company except the following:
 - Dato' Seri (Dr.) Goh Eng Toon, who is a major shareholder of the Company by virtue of his interest in Naga Muhibah Sdn Bhd, is the father-in-law of Dato' Leong Kok Wah and father of Datin Goh Phaik Lynn. He was also the Chairman, Non-Independent Non-Executive Director of the Company until his resignation from the Company on 31 December 2018;
 - Datin Goh Phaik Lynn, who is a major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, is the spouse of Dato' Leong Kok Wah and daughter of Dato' Seri (Dr.) Goh Eng Toon;
 - Dato' Leong Kok Wah is a son-in-law of Dato' Seri (Dr.) Goh Eng Toon.
- None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
- None of the Directors has been convicted for offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

Dato' Rosli Bin Mohamed Nor, aged 60, male, was appointed to the Board of Salcon on 2 July 2018.

Dato' Rosli graduated with a Bachelor of Science in Civil Engineering degree from Brighton Polytechnic (now known as Brighton University), United Kingdom.

Dato' Rosli has built a long and steady career in construction, trading and property development. He served in different capacities at Engineering and Environmental Consultants Sdn Bhd and United Engineers (M) Bhd before starting his own construction business by forming Bernar Antara Sdn Bhd, a PKK Class A

Contractor and CIDB Grade 7 registered Bumiputera Contractor. The company undertook construction of various projects including highways, LRT tunnels, water reservoirs and rail lines. The company has since been sold to a public listed company, but he remained as their Managing Director till 1998. He then moved on to other new businesses in construction, property development and mining sectors.

Dato' Rosli was formerly an Independent Non-Executive Director of Export-Import Bank of Malaysia Berhad.

Dato' Rosli is currently an Independent Non-Executive Director, Chairman of

Audit & Risk Management Committee and Remuneration Committee of Econpile Holdings Berhad. He is also the Business Development Director of TRC Infra Sdn Bhd. He also sits on the board of ADS Sentral Sdn Bhd, KMK Plus Sdn Bhd, KMK Ventures Sdn Bhd.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Profile of Key Senior Management

Ooi Cheng Swee @ Wee Kwee Swee

Chief Operating Officer

65 years old	Male	Malaysian
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Qualification

1. Bachelor of Engineering (Civil) (Hons) Degree from the University of Malaya in 1978.

Date of Appointment

6 June 2011

Name of Company

Salcon Berhad

Working Experience

Mr. Ooi Cheng Swee has 41 years of working experience in infrastructure works, beginning with drainage, road and bridge engineering design upon his graduation. And from 1987 onwards, Mr. Ooi has been involved in waterworks engineering including the construction supervision of water supply schemes, water supply distribution studies and operations and maintenance of water treatment plants.

Mr. Ooi is a Professional Engineer with Practising Certificate registered with the Board of Engineers Malaysia and a Member of the Institution of Engineers Malaysia. Prior to joining Salcon, he was with Puncak Niaga (M) Sdn Bhd for 6 years where his last position was Executive Director for Engineering/ Project Development Division. He is currently holding the position of Chief Operating Officer in Salcon Berhad.

Law Woo Hock

Chief Financial Officer

54 years old	Male	Malaysian
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Qualification

1. A qualified accountant and fellow member of the Association of Chartered Certified Accountants (ACCA), UK.
2. A member of Malaysian Institute of Accountants (MIA).

Date of Appointment

1 November 2005

Name of Company

Salcon Berhad

Working Experience

Prior to joining Salcon, Mr. Law held various senior management positions in large conglomerates and established group including Hong Leong Industries Bhd, Ireka Corporation Bhd and has gained more than 17 years of relevant experience in corporate finance, financial management and taxation.

Profile of Key Senior Management

Jamiluddin Amini Bin Sulaiman

Director - Engineering & Proposal

51 years old	Male	Malaysian
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Qualification

1. Bachelor of Science (Chemical Engineering), Brown University, Rhode Island, USA.

Date of Appointment

29 June 2010

Name of Company

Salcon Engineering Berhad

Working Experience

Jamiluddin Amini Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the last 28 years, which include project management, design, procurement, construction, commissioning and operation. In his current capacity, he oversees the operation of Engineering & Proposal Division which is primarily responsible in preparing detailed engineering design and tender/proposal for water supply projects.

Prior to joining Salcon, Jamiluddin's experience includes carrying out detailed studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

While working in the United States, Jamiluddin was involved in developing technology for hazardous wastewater control, operating an inorganic testing laboratory as well as conducting various tests on water, wastewater, soil and sludge.

Yap Sui Pon

Project Director

65 years old	Male	Malaysian
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Qualification

1. B. Sc Civil Engineering from Teesside University (UK) in 1978.
2. M. Sc Construction Management from Birmingham University (UK) in 1979.

Date of Appointment

5 October 2010

Name of Company

Salcon Engineering Berhad

Working Experience

Yap Sui Pon has more than 38 years of career experience in civil & building works, construction and design of power plant & water treatment plant.

Yap Sui Pon started his career as Assistant District Engineer from 1979 to 1981 at JKR, Grik, Perak. He was the Project Manager of Emal Construction Sdn Bhd from 1982 to 1987 before leaving for Shinor Construction Sdn Bhd as General Manager from 1987 to 1990. He then joined MRCB/Zelleco Construction Sdn Bhd as Project Director from 1990 to 1998 and from 1998 to 2000, he was the Deputy General Manager (Power Division) of Minconsult Sdn Bhd. He was the Project Director of Zelan Construction Sdn Bhd from 2000 to 2006 and Country Manager (Saudi Arabia) of Zelan Arabia Construction Company Limited from 2006 to 2009.

From October 2010, he was appointed as Project Director to oversee and head the Construction Division at Salcon Engineering Berhad.

Profile of Key Senior Management

Lee Thim Loy

Managing Director

70 years old	Male	Malaysian
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Qualification

1. Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
2. Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
3. A Registered Professional Engineer with Practising Certificate from the Board of Engineers, Malaysia.
4. Member of the Institution of Engineers, Malaysia.

Date of Appointment

30 August 1984

Name of Company

Envitech Sdn Bhd

Working Experience

Mr. Lee Thim Loy has more than 46 years experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

Mr. Lee's portfolio includes involvement in several Master Plans and Feasibility Studies for Sewerage in Malaysia. His capabilities extend into the treatment of palm oil wastes besides related environmental consultancy for industrial effluent surveys, wastewater flow analyses and wastewater treatment feasibility studies.

Mr. Lee's noteworthy experience includes as a Principal Investigator in the Palm Oil Waste Treatment Project in Malaysia and in Thailand, a project sponsored by the International Development Research Centre, Canada, and undertaken by the Asian Institute of Technology, Bangkok, in association with the Department of Environment, Ministry of Science, Technology and Environment, Malaysia from 1979 to 1981.

Low Beng Peow

Executive Director

72 years old	Male	Malaysian
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Qualification

1. Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
2. Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
3. A Registered Professional Engineer with practising certificate in the branch of Environmental Engineering with the Board of Engineers, Malaysia.
4. Fellow of the Institution of Engineers Malaysia.
5. A Qualified Person under Suruhanjaya Perkhidmatan Air Negara (SPAN).

Date of Appointment

30 August 1984

Name of Company

Envitech Sdn Bhd

Working Experience

Mr. Low Beng Peow, has been in the environmental engineering industry for more than 40 years. His experience covered the study, design, construction, implementation and management of sewerage system including sewage treatment plants, pumping stations and sewer networks.

Mr. Low's noteworthy experience includes involvement in the Greater Kuala Lumpur Sewerage Project financed by the International Bank for Reconstruction and Development in year 70's, and in recent years successfully completed couple of sewerage projects exceeded 100 Million contract sum under JPP and Medini Iskandar (M) Sdn Bhd. To-date have completed and successfully handed over to Authorities not less than 500 projects since the incorporation of Envitech Sdn Bhd in year 1984.

Profile of Key Senior Management

Liew Swee Choong

General Manager

56 years old	Male	Malaysian
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Qualification

1. Bachelor of Engineering degree from the National University of Singapore in 1988.

Date of Appointment

16 June 2014

Name of Company

Prestasi Kemas Sdn Bhd

Working Experience

Liew Swee Choong carries with him more than 30 years of excellence in the planning, execution and completion of property development and construction projects.

Prior to joining Salcon, he held various senior positions in Newfields Property Management Sdn Bhd - a niche property developer and Perdana Park City Sdn Bhd - the developer of the renowned Desa Park City township where he has played significant roles in the successful implementation of many notable development projects.

Notes: -

All key senior management do not have:

- (i) Directorship in other public companies.
- (ii) Any family relationship with any director and/or major shareholder of Salcon Berhad.
- (iii) Any conflict of interests with Salcon Berhad.
- (iv) Other than traffic offences, none of the key senior management had been convicted for offences within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.



A close-up, high-angle photograph of a white sock cuff, showing the ribbed texture and the edge of the fabric. The sock is positioned on the left side of the frame, with the rest of the image being a solid blue background.

Trust in Partnership

In line with our core values - Commitment, Teamwork, Professionalism, Respect and Results - Salcon builds trust through sincere, respectful and consistent communications with our business partners, employees, suppliers and customers to ensure long term business growth and success.

Dear Valued
Shareholders,

It is my pleasure as the
new Chairman of Salcon
Berhad (“Company”) to
present to you the Annual
Report and Audited
Financial Statements
of the Company and its
subsidiaries (“Group”) for
the financial year ended
31 December 2018
(“FYE 2018”).

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

Chairman's Statement

Chairman's Statement

Amidst lingering global trade tensions and financial-market volatility, Malaysia's economy recorded a steady growth rate of 4.7% for 2018. In this economic environment, the Group achieved a positive turnaround in its results and improved shareholder value through better profit contribution from our diversified businesses and cost efficiencies achieved for construction projects.

Rewarding Our Shareholders

With the improved financial performance, the Board is pleased to recommend a first and final single tier dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2018.

The dividends will be paid by way of distribution in specie of shares.

Growing Long Term Shareholder Value

Creating long term shareholder value remains the Group's strategic focus via our 3-pronged strategy of excellent project execution, optimizing our business portfolios and managing our risk profile. Staying the course and focusing on our strategies has yielded significant results and leaves us well positioned to prepare the Group for a more challenging future as we look to further strengthen our capacity and deliverables in the current financial year.

The Group will leverage on our good track record in strong project execution to replenish our order books, both locally and overseas. Contract opportunities in Malaysia include the reduction of non-revenue water (NRW), construction of new water infrastructure and upgrading of existing water infrastructure and services. In overseas countries like Sri Lanka and Vietnam, the Group targets larger water and wastewater infrastructure contracts. We will continue to develop and execute

projects using global best practices that ensure consistent project returns.

As part of the Group's strategy to create and build shareholder value, the Group's expansion and investment into key growth areas i.e. technology services and transport to complement our traditional core business has come to fruition. Both divisions are contributing positively to the Group. Albeit small, the Group is confident that these two (2) divisions will generate positive cashflows in the coming years.

Moving forward, the Group will continue to grow its business through prudent risk management, careful planning and improvements to operational efficiencies while maintaining the highest standard of quality.

Continuing Our Sustainability Journey

The Group upholds a strong culture of corporate governance and commitment to responsible business practices and are heartened that our sustainability efforts have been recognized both in Malaysia and overseas.

For the fourth year in a row, our commitment in giving serious consideration on the environmental, social and governance impacts of our activities and meeting stringent requirements in these areas has secured us inclusion in the FTSE4Good Bursa Malaysia Index, a global sustainability benchmark.

Besides this, the Group was awarded Asia Sustainability Reporting Awards 2017 – Best CSR Communication within Annual Report Award and the CSR Malaysia Awards 2018 – Company of the Year in the Construction & Engineering Category for championing employee wellbeing and work-life balance through employee self-improvement and development. The Group has won both these awards for two (2) consecutive years.

The Group's sustainability journey and commitment to integrating sustainability practices and community initiatives into all aspects of our operations can be found in the Sustainability Statement section of this Annual Report.

Board Changes & Acknowledgements

On behalf of the Board, I wish to express my deepest appreciation to Dato' Seri (Dr.) Goh Eng Toon and Dato' Dr. Freezailah Bin Che Yeom, who resigned from the Board after 13 years and 15 years of dedicated and outstanding service.


In their place, two new Directors, Dato' Rosli Bin Mohamed Nor and myself were appointed to the Board as Independent Non-Executive Director and Independent Non-Executive Chairman respectively. We look forward to many years of strong partnership and contribution from all Directors in propelling the Group to greater heights.

I would also like to take this opportunity to thank our employees and management team, investors, business partners, suppliers and customers for their continued support and confidence, as well as governments and regulators for their co-operation and facilitation in growing our businesses.

Yours sincerely,

Tan Sri Abdul Rashid bin Abdul Manaf
Chairman
Salcon Berhad

Management Discussion and Analysis



Engineering & Construction
Design and build water/wastewater treatment plants, Operation & Maintenance (“O&M”) services, Non-Revenue Water (“NRW”) management and control including customer billing & collection.

Transportation
Provision of transport services ranging from workers transportation for multinational companies such as Intel, Western Digital Media and Paramit in the northern region of Malaysia, inbound and outbound tour services and palm oil product tanker logistic services.

Property Development
Boutique developer targeting niche property development.

Technology Services
Provision of Smart Urban Infrastructure Services for Telecommunication Operators, Enterprises, SME, Property Developers and Government.

1.0 Business Overview

Salcon Berhad is an investment holding company listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”). Its core business activities encompass water and wastewater engineering & construction, property development, technology services and transportation services.

Over the years, it has established a good reputation as a premier provider of water and wastewater solutions having successfully delivered more than 1,000 water and wastewater projects in Malaysia, Vietnam, Sri Lanka, Thailand, India and China. The Group takes pride in its ability, expertise and experience in the water & wastewater industry to deliver projects efficiently and in the most cost effective manner. Leveraging on its strengths, Salcon is involved in building several key infrastructure projects in Malaysia including the Langat 2 Water Treatment Plant project as the lead partner and the Langat Centralised Sewerage Treatment Plant.

As part of its portfolio optimization strategy, the Group diversified into Property Development, Technology Services, Transportation and other businesses since 2013 with the objective to enhance long-term shareholders’ value. The Group is poised for greater challenges and remains passionate in creating value propositions for all subsidiaries.

The Group’s headquarters is based in Malaysia with business operations across the Asian region.

Committed to developing a sustainable future, Salcon strives to maintain an equitable balance between increasing value for shareholders and responsible development. In its business operations, the Group aims to deliver profitability and healthy economic performance to our stakeholders whilst upholding global best practices in transparency and accountability as well as generating positive impacts to the society and the environment via its sustainability initiatives. More information on the sustainability works carried out during the year are summarised in the Sustainability Statement on pages 34 to 71.

The Management Discussion and Analysis of the consolidated financial performance and results of the operations of Salcon Group for the FYE 2018 are reported below.

Management Discussion and Analysis



2.0 Financial Performance

For the FYE 2018, the Group recorded a revenue of RM130.2 million as compared to RM206.5 million in the preceding financial year, representing a drop of 37%. The decrease was the result of lower revenue contribution from the Property Development Division with the completion of the rés280 project in Selayang and due to the Group's adoption of the Malaysian Financial Reporting Standards ("MFRS") which recognise revenue and profits only upon completion of a development.

Nevertheless, the Group recorded lower losses after tax ("LAT") of RM4.4 million compared to RM30.0 million i.e. 85.3% lower as compared to the preceding year. This was principally due to lower finance costs, lower foreign exchange losses and lower operating expenses derived from the ceasing of operation of Beijing Xinlian Yitong Technology Co Ltd ("BXYT") and other loss making subsidiaries in FYE 2017.

The Group posted a profit attributable to owners of the Company of RM2.12 million in FYE 2018, as compared to a loss of RM23.82 million in the previous year. The positive turnaround is mainly due to the adjustment of non-controlling interests.

The Group continues to maintain healthy cash and cash equivalents which stood at RM115.1 million during the year under review. The Group's gearing ratio remains low at 0.11 as at 31 December 2018 with borrowings totalling RM48.38 million.

Whilst the Group does not have a formal dividend policy, we have continued to maintain consistent records of payment of annual dividend to our loyal shareholders. The Group proposed a first and final single tier dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of the FYE 2018.

“
The Group continues to maintain healthy cash and cash equivalents which stood at RM115.1 million during the year under review.”

Management Discussion and Analysis



Engineering & Construction Division

Financial Highlights

For the financial year under review, the Engineering & Construction Division remains the Group's largest contributor with a revenue of RM103.1 million, representing 79.2% of the total consolidated revenue.

This is an increase of 22.9% from RM83.9 million in FYE 2017 mainly due to contribution from NRW pipe replacement projects, network pumping stations project and Kuala Terengganu Utara Water Supply Scheme project.

In line with the higher revenues, this division recorded a turnaround from a loss before tax ("LBT") of RM4.0 million to a profit before tax ("PBT") of RM6.8 million this year. The improved performance is mainly due to an increase in share of profits recognised from the mechanical & electrical portion of the Langat Centralised Sewage Treatment Plant ("CSTP") project.

As at 31st December 2018, the Group's total order book stood at RM1.32 billion comprising water and wastewater projects, both locally and overseas with RM371 million balance of works to be carried out.

Operational Highlights

The business activities in the Engineering and Construction Division are driven principally by the Group's subsidiary, Salcon Engineering Berhad ("SEB") and Envitech Sdn Bhd ("Envitech").

The construction of the Langat 2 Water Treatment Plant which is undertaken by SEB together with its joint venture partner, is in the midst of completion and is expected to commence operation, testing and commissioning works by mid 2019. We look forward to the successful handover to our client, Pengurusan Aset Air Berhad (PAAB) in the near future. Upon completion, the plant will be able to provide an additional 1,130 million litres per day of treated water to meet the needs of consumers in Selangor, Kuala Lumpur and Putrajaya.

Management Discussion and Analysis



As at 31st December 2018, the Group's total order book stood at RM1.32 billion comprising water and wastewater projects, both locally and overseas with RM371 million balance of works to be carried out.



Current major on-going projects in hand include the following:

1. Langat Centralised Sewage Treatment Plant, which achieved physical construction progress of 90.3% and is expected to be completed in 2020;
2. Kuala Terengganu Utara Water Supply Scheme (KTU), which achieved physical construction progress of 18%;
3. Rehabilitation and upgrading project of Haiphong Water Supply System – Phase 2;
4. Network Pumping Station in Langat catchment and Langat CSTP upgrading works;
5. Pipe Replacement Project i.e. Package 6, 8 & 11A in Selangor.

As the mainstay of the Group, the Engineering & Construction division remains active in pursuing new projects in Malaysia and overseas. In FYE 2018, the division secured a total of RM81.25 million worth of new water and wastewater contracts.

In Sri Lanka, the division successfully secured a water related contract worth over RM71.3 million to build a stormwater pumping station at Ambatale which will reduce the flood risk to the Colombo catchment, especially to Parliament Lake and surrounding area. The project, funded by the World Bank, is expected to be completed within 21 months and will minimize the environmental impact from floodings while maintaining a sustainable environment.

On the wastewater side, our subsidiary, Envitech was awarded a wastewater contract by Seriemas Development Sdn Bhd worth RM9.95 million to construct a sewage treatment plant and carry out its associated works in Kuala Langat, Selangor. The contract is expected to be completed by end of 2019.

The award of these projects are a measure of confidence the clients have in the division which has more than 45 years of strong track record and expertise in the design and construction of water and wastewater treatment plants.

Management Discussion and Analysis

Looking Forward

The Engineering and Construction Division serves as a strong pillar to sustain the Group's profitability with new projects secured and several on-going projects on hand. While keeping busy with the existing contracts and outstanding order book, the Group is moving aggressively to strengthen our business portfolio by tendering for water and wastewater projects in Malaysia and overseas.

The Group remains positive of the future prospects of the water and wastewater business as efficient and quality water services are fundamental for economic growth and uplifting the wellbeing of the people. Under the 11th Malaysia Plan ("11MP"), the government targets to achieve National Key Performance Indicators ("KPI") of 99 per cent for water supply coverage, 85 per cent connected sewerage services and 31 per cent reduction in non-revenue water by 2020. As such, the government is taking various initiatives to increase efficiency and productivity of water supply and sewerage services, expand network and treatment plant capacity as well as optimise usage of water from time to time. With the Group's extensive experience and proven track record, we are confident of capitalising on these government initiatives to address water needs in the country.

In the overseas market, the Group's recent win of the Ambatale Stormwater project has certainly strengthened its portfolio in the Sri Lanka water industry. Besides Sri Lanka, the Group will continue to aggressively tender for projects in Vietnam and surrounding regions. We look forward to positive news flows in the countries where we have established a good track record and successfully delivered projects to our clients' satisfaction.

Concession Investments Division

Vietnam Concession

The Binh An water concession located in Ho Chi Minh City, Vietnam has provided steady income to the Group since it commenced operations in 1999. For FYE 2018, this division contributed a share of profit of RM5.77 million to the Group.

Property Development Division

Financial Highlights

In FYE 2018, the Property Division posted marginal revenues of RM 5.6 million compared to RM 100.7 million in the preceding year. As a result, the division recorded a segmental loss after tax ("LAT") of RM7.1 million, i.e. a 21% increase in losses compared to LAT of RM5.86 million in the previous year.



res280 accumulated sales of the units reached 78.3% this year.

Management Discussion and Analysis



Eco-Coach added 12 units of stainless steel and mild steel bulk tankers to its fleet of vehicles.

The losses for this division widened mainly due to lower revenue generated from the sales of remaining units of rés280 property project at Selayang, lease rental payment of Belfield Crest in Kuala Lumpur, unrealised foreign exchange loss of RM3.2 million relating to our associate of property development in Australia i.e. The Yarra One and the finance costs incurred in relation to the land in Johor.

Operational Highlights

Through intensified promotional efforts and marketing strategies for the past year, the Group's small office home office ("SOHO") development project rés280 in Selayang, accumulated sales of the units reached 78.3% of total sales compared to 68.5% in previous year. We look to further market the remaining unsold units through attractive buying schemes.

The Company through its subsidiary, Salcon Development Sdn Bhd had on 11 April 2019, entered into a Share Sale & Purchase Agreement with Fortune Quest Group Limited to dispose of 20% of the total issued share capital in Eco World-Salcon Y1 Pty Ltd for a total consideration of AUD4,519,569 (equivalent to approximately RM13,252,280) at a gain of approximately RM931,560. The Yarra One Project is undertaken by Eco World-Salcon Y1 Pty Ltd.

The disposal allows the Group to strengthen its financial position and make available the capital which was earmarked for the project to be re-mobilise to pursue other potential investment opportunities.

With the softening of the Malaysian property market, the division's other property development projects on hand have been put

on hold pending a review of the development strategy for both projects.

Looking Forward

The property market in Malaysia remain challenging as weak consumer sentiments persist due to weaker economic prospects, volatility of the Malaysian Ringgit, continued stringent loan approval policy and incoming supply of newly completed properties.

Nevertheless, the Group continues to look for opportunities and will cautiously evaluate various proposals in the current subdued market situation.

Other Divisions

Transportation

Under the Trading and Services segment of the Group, the Transportation Division, which is headed by Eco-Coach & Tours (M) Sdn. Bhd. ("Eco-Coach") posted a revenue of RM16.7 million in FYE 2018, representing an increase of 9.1% compared to the preceding year. Its revenue constitutes 12.8% of the Group's total revenue during the year under review.

In line with the increase in revenues, the profit after tax ("PAT") rose from RM1.69 million to RM2.41 million, representing a 42.6% surge compared to the previous year.

At present, Eco-Coach operates a total of 142 vans, 39 coaches, 5 MPV, 12 limo services vehicles and employs 212 drivers to provide transportation services for multinational companies such as Intel, Western Digital Media, Paramit and B Braun Medical.

Management Discussion and Analysis



An 8 meter unipole owned by VBT at one of the station serving mobile customer.

During the year under review, the division diversified into providing palm oil and soy oil product transporting service via the acquisition of Green Fleet Sdn. Bhd. (formerly known as Crystal Expertise Sdn. Bhd.). With the acquisition of the company, Eco-Coach added 12 units of stainless steel and mild steel bulk tankers to its fleet of vehicles, offering palm oil product logistic services in Central and Northern region of Malaysia for clients such as PGEO Edible Oils, PGEO Oil Mill and Soon Soon Oil mills.

Technology Services

The Technology Services Division, which is spearheaded by the Group's joint venture Volksbahn Technologies (M) Sdn. Bhd. ("VBT") had made good progress, posting RM8.48 million in revenues, an increase of 64.7% as compared to RM5.28 million recorded in the previous year. The division recorded a marginal maiden profit compared to a loss of RM1.2 million last year. Albeit small, we are confident that this division will generate good recurring income in the coming years.



The Technology Services Division, which spearheaded by the Group's joint venture Volksbahn Technologies (M) Sdn. Bhd. ("VBT") had made good progress, posting RM8.48 million in revenues, an increase of 64.7% as compared to RM5.28 million recorded in the previous year. ”

The higher revenue was attributed to the increase in site rental for shared infrastructure as well as increase in bandwidth usage. Presently, the mobile operators which have signed up to VBT infrastructure for the shared services include U Mobile Sdn. Bhd., Celcom Berhad, Digi Telecommunication Sdn. Bhd., Fiberail, Symphonet and Visi Cenderawasih.

Asides from the site rental and bandwidth charges, revenues were also boosted by income generated from the retail businesses and mobile convergence from VBT's fibre optic backbone with YTL Broadband and Symphonet.

With the completion of laying fibre optic cables for new LRT extension line in March 2018, the total length of the fibre optic cables laid along the LRT lines has increased to 127 km. As such, the number of sites available for rental and bandwidth service coverage is further expanded and the Group looks to further strengthen our collaborations with existing and new mobile operators.

Solar Power Services

Salcon Power (HK) Limited ("Salcon Power") recorded a LAT of RM0.55 million, a decrease of 83.8% as compared to RM3.4 million losses registered in the previous year. During the year under review, Salcon Power disposed 1,191 units of solar photovoltaic electricity generating systems to ACP Solar Limited for a total cash consideration of £4.85 million (equivalent to RM26.1 million).

Management Discussion and Analysis

3.0 Business Outlook

FY 2018 has been a challenging year but with perseverance and commitment, the Group has managed to turnaround its performance by paring down its loss making subsidiaries. With the improved performance, the outlook for the Group's business for FY 2019 is expected to be positive as we continue to focus on our 3-pronged strategy of excellent project execution, optimizing our business portfolios and minimising our business risk exposure.

The Group's Engineering and Construction division will leverage on its strong capabilities and outstanding portfolio in water and wastewater engineering works to secure more water related projects in Malaysia as well as overseas. The recent completion of the acquisition of water operators by Pengurusan Air Selangor Bhd in Selangor will allow more opportunities for the water infrastructure players where more development works on water infrastructure is expected to be implemented to ensure water supply security in Klang Valley. Moreover, under the mid-term review of 11th Malaysia Plan, the government had approved a RM1.9 billion allocation for the implementation of non-revenue water ("NRW") reduction programmes to assist operators in achieving the nationwide NRW target of 31 per cent by 2020. Apart from that, the government will also allocate RM223.35 million for water supply infrastructure development in Selangor in the 2019 budget. With the extensive capabilities and outstanding track record in water and wastewater management, the Engineering & Construction Division sees continued momentum in securing opportunities to play a role in the nation's water supply needs.

As for the outlook overseas, the Group is well positioned to secure projects in the region especially in Sri Lanka where we have successfully completed 4 major water projects and secured the recent Ambatale stormwater project. For the year ahead, the division will be aggressively looking into the tender prospects in Sri Lanka and Vietnam and is confident of securing profitable returns under its established management and technical capabilities.

Whilst the overall business environment for the Property Division remains challenging in Malaysia, the Group will review our development strategies and identify niche markets to tap into opportunities for growth.

The Group's diversified businesses under the trading & services segment which include technology services division and transportation division has started bearing fruits, turning around from a LBT of RM16.2 million in FY 2017 to a PBT of RM5.7 million in FY 2018. In the medium to long term, contribution from these segments are expected to boost earnings growth and provide long term recurring incomes.

The Technologies Services Division shall continue to be a profit contributor to the Group. With the laying of fibre optic cables on the LRT extension lines successfully completed, the Group is able to extend its reach to more telecommunication operators to improve service coverage and meet their customer demands for reliable and speedy network services. In the retail business, the division is in the midst of completing data centre interconnections to provide fast, consistent and cost effective network solutions to potential customers such as financial institutions and enterprise buildings. Completion of these points of interconnects will boost retail business and enable the delivery of a seamless integrated communications network for improved flexibility and performance, costs and bandwidth. At the same time, VBT seeks to expand its Right of Way either through acquiring new areas or through collaboration with strategic asset owners.

As we look forward, the opportunities for expansion and value creation remain attractive. The Group is well positioned for growth and coupled with a robust strategy and resilient plan for sustainable growth in place, we are confident that our business model will enable us to capitalise on new opportunities and overcome any challenges that may lie ahead.







Strength in Diversity

Welcoming diverse viewpoints not only helps us to better understand our customers, employees and changing markets but also drives innovation and creative problem-solving by pushing our people to look at old challenges from a new perspective.

Sustainability Statement



Report Overview

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 12th annual reporting of our Economic, Environmental and Social (EES) performances. This report aims to disclose and analyze our sustainability performance, risks and opportunities by benchmarking ourselves against global standards as well as local guidelines and frameworks. The application of these guidelines and references in our reporting has allowed us to build the momentum in our sustainability journey and enabled us to anticipate emerging issues, meet sustainability reporting expectations, strengthen sustainability communications as well as provide a basis for development of performance measures.

In this report, we will share how we map our sustainability strategies and efforts with the Group's material issues to generate positive impacts for all our stakeholders.

Scope of Report



Reporting period
1st January 2018 – 31st December 2018

Geographical and Organizational Reporting coverage:

Salcon Berhad and the companies below which spearhead our diversified business operations of which Salcon Engineering Berhad and Envitech Sdn Bhd (water & wastewater operation) contribute 79.2% of the Group's revenue.

1. Salcon Engineering Berhad (Malaysia & Vietnam water concession operation)
2. Envitech Sdn Bhd (wastewater treatment services)
3. Eco-Coach & Tours Sdn Bhd (transportation services)
4. Azitin Venture Sdn Bhd (property development)
5. Volksbahn Technology Sdn Bhd (technology services)
6. Salcon Power (HK) Limited (solar power investment)
7. Salcon Petroleum Services Sdn Bhd (oil & gas software marketing)

Guidelines & References

This report is prepared in accordance with the following guidelines, references and frameworks with the objective to measure, understand and communicate our economic, environmental, social and governance performance, set goals, and manage change more effectively.

Principal Guideline	Supplementary Guidelines	Commitment
<ul style="list-style-type: none">• Bursa Malaysia Sustainability Reporting Guide	<ul style="list-style-type: none">• FTSE4Good Bursa Malaysia Index Rating Guide• Global Reporting Initiative (GRI) Standards*• AA1000 Stakeholder Engagement Standards 2015	<ul style="list-style-type: none">• Sustainable Development Goals (SDGs)• United Nations Global Compact (UNGC) principles

* please refer to page 228 - 230

Feedback



This report, which is available in HTML & PDF format is available at our corporate website at <http://salcon.listedcompany.com/ar.html>

For any enquiry, feedback or suggestion about our sustainability performance, please address it to the Sustainability Committee at corporate@salcon.com.my

Sustainability Statement

Sustainability at Salcon

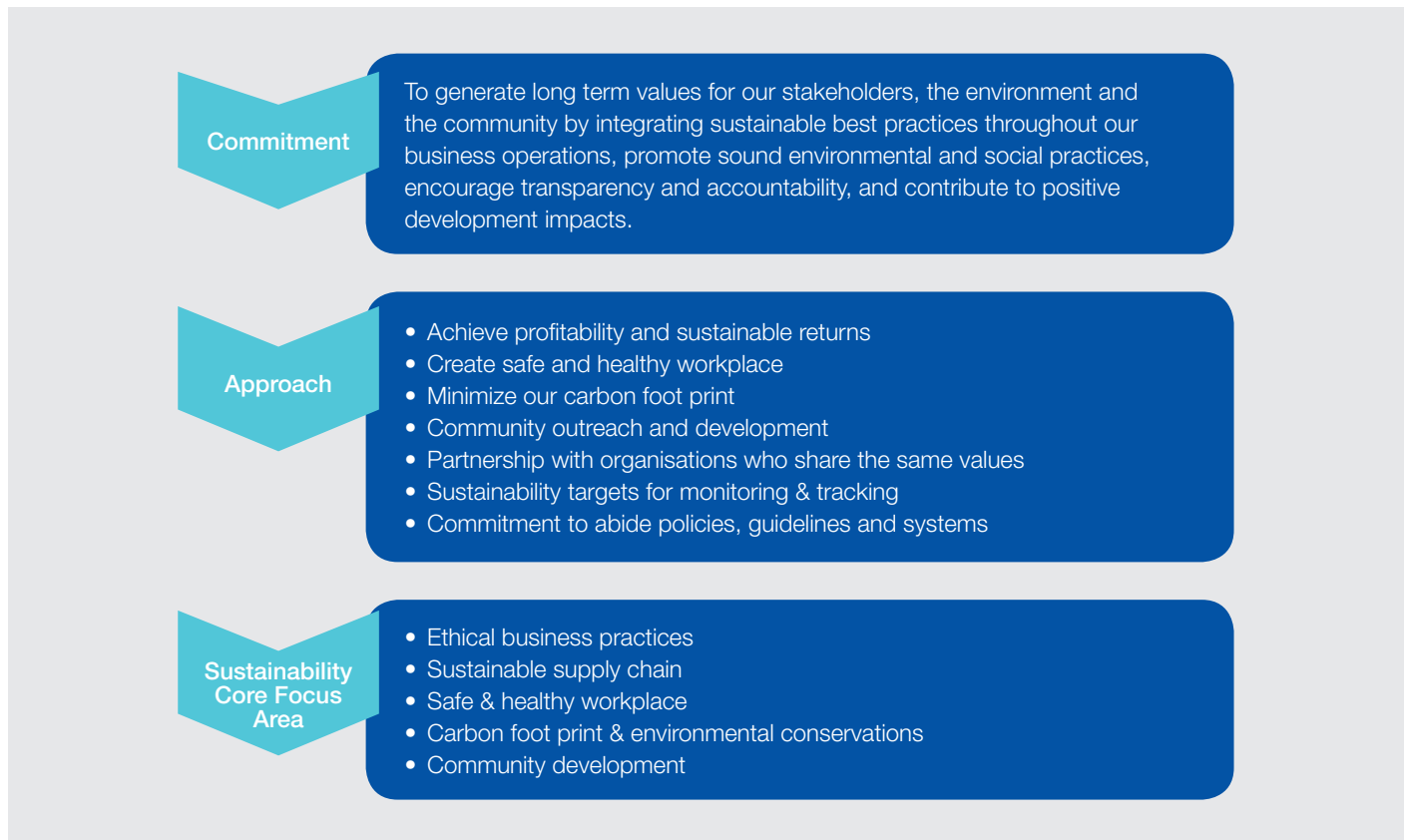
In creating long term value for all stakeholders, we are committed to prudently manage the impact of our business on the environment, to uplift the communities in which we operate in and to maintain an inclusive, respectful, and progressive working environment for our people.

During Financial Year (“FY”) 2018, our sustainability efforts received noteworthy recognition from influential publications and organizations. We are honoured to be awarded the Asia’s Best Sustainability Report (SME Category) in Asia Sustainability Reporting Awards 2018 for demonstrating a long-term approach to integrating sustainability practice in the business as well as the CSR Malaysia Awards 2018 – Company of the Year in the Construction & Engineering Category by the CSR Malaysia for championing employees wellbeing and work-life balance through employee self-improvement and development.

Besides this, Salcon is also in its fourth consecutive year of being a constituent of the FTSE4Good Bursa Malaysia Index. We have been independently assessed by the FTSE Russell and successfully met stringent environmental, social and governance standards and are positioned to capitalise on the benefits of responsible business practice.

Sustainability Framework

Our approach to sustainability management encompasses our entire value chain throughout our business operations. Not only do we embed sustainability in our core business of water and wastewater treatment, we also work towards extending our efforts to our various subsidiaries with diversified businesses.



Sustainability Statement

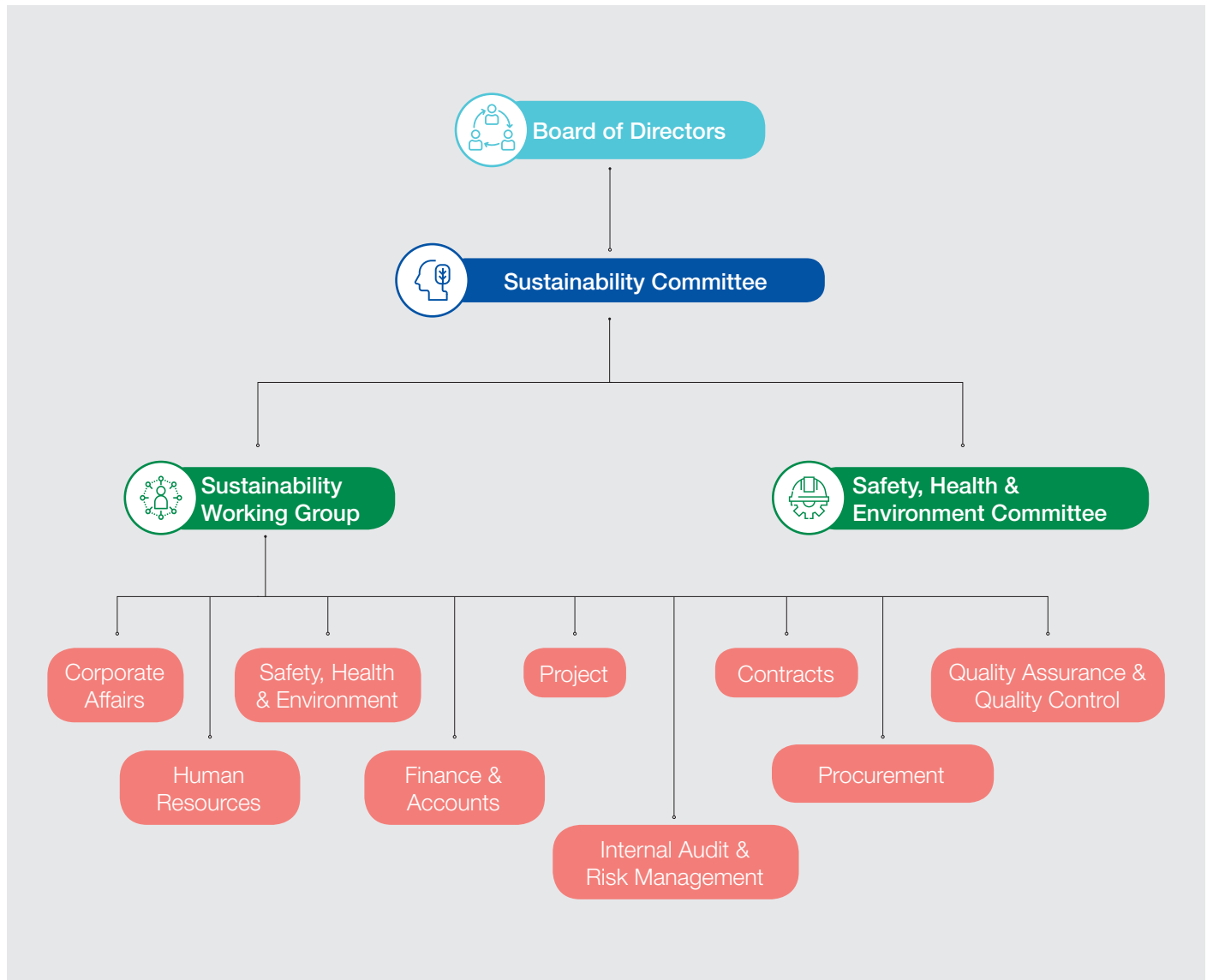
Governance Structure

Supported by the Sustainability Committee, the Board of Directors oversees the Group's sustainability strategies and performance to ensure we achieve profitability and sustainable returns whilst enhancing the Group's EES achievement in the long term.

The Sustainability Committee is appointed by the Board of Directors and consists of 2 Board members with a Non-Executive Director as Chairman as well as the Chief Operating Officer, the Chief Financial Officer and the General Manager of Corporate Affairs Department.

The Committee meets at least once a year to discuss and review the Group's sustainability issues.

The Sustainability Working Group (SWG), helmed by the Corporate Affairs Department is responsible for the implementation of the Group's sustainability initiatives, ensure operational and governance compliance as well as conduct data collection for reporting purposes.



Sustainability Statement

Materiality



In FY 2018, the Group undertook an update and review of our materiality assessment to better reflect current stakeholder concerns and the company's key sustainability risks and opportunities. The Group's first materiality assessment conducted last year has helped to improve our sustainability efforts and build a mandate for us to focus and act on issues that are the highest priority for the business.

Methodology

1



Identification and Review of Material Issues from Internal and External Sources

Reviewed all (38) materiality issues in EES aspects to identify its importance in line with the current market conditions and industry trends.

- a. Internal source: internal data
- b. External sources: rating & index guideline (FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide), media reporting, analyst reports, external peer review, clients survey, industry news

2



Prioritization - Review & Analysis by The Sustainability Working Group (SWG)

Meetings and consultations were held with the SWG and relevant committees to review the Group's material issues to ensure that they are relevant and reflective of our stakeholder's priorities and aspirations. It was debated collectively whether the issues identified were correctly placed and named. Based on this input, the SWG looked into the medium high material issues to evaluate on its importance and ranked them accordingly.

The result of these review is further elaborated below under 'Materiality Analysis'.

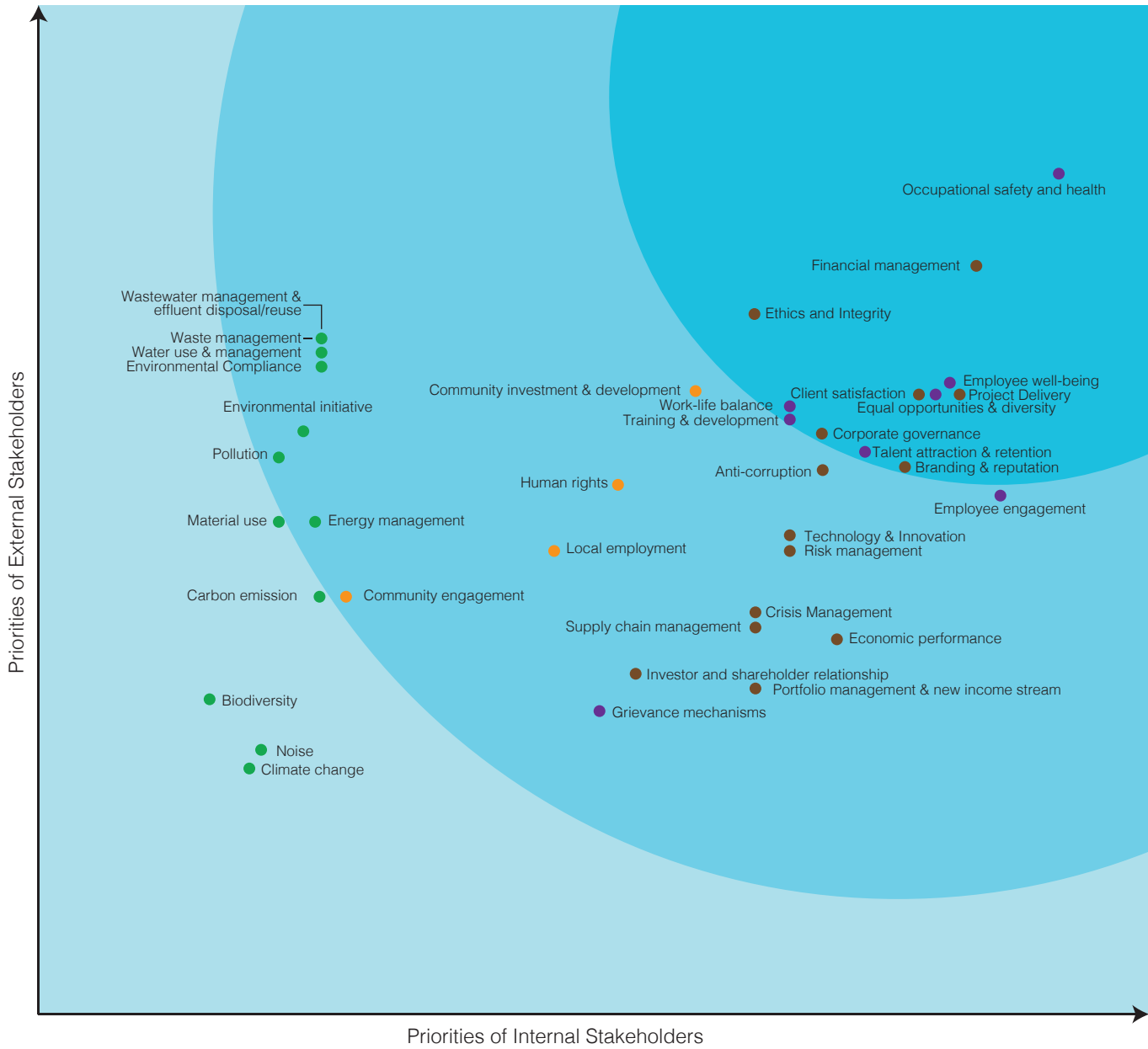
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Validation - Presentation to The Sustainability Committee

The outcome of the materiality matrix review & analysis by the SWG was then presented to the Sustainability Committee for validation and approval.

Sustainability Statement



Legend

- Community issues
- Workplace issues
- Marketplace issues
- Environment issues
- High
- Medium
- Low

Sustainability Statement

Materiality Analysis

This year, the SWG and Sustainability Committee reviewed the matrix and identified 2 Key Material Issues ie Financial Management & Profitability and Project Delivery to be elevated in terms of importance to the Group. Besides this, three (3) medium-high material issues were also added to our list of Key Material Issues to reflect higher risks and opportunities to the Group. The 3 newly-added material issues to the Key Material Issues category are talent attraction & retention, branding & reputation and corporate

governance, thus bringing the total top material issues of the Group to 12 key material issues.

The remaining list of material issues is unchanged from the previous year. The material issues in EES areas were categorized into 4 categories which are: economic, environment, employees and community.

Key Material Issues (Very Material), Potential Risks & Mitigation Measures

Key No.	Material Issues	Description	Risks of key material issues	Mitigation measures (Page reference)
1.	Occupational safety & health	Creating a safe and healthy workplace, at both offices and project sites, with zero or minimal occupational illness/ injury	Major accidents due to non-compliance of policies and procedures that may lead to fatality or severe injury	66
2.	Financial management & Profitability	Good management on the Group's financials and investment as well as maintaining healthy economic growth	Potential losses leading to reduction of shareholder values and poor share price performance	50
3.	Ethics & integrity	Embedding integrity and ethical business practices in all aspects of our business	Risk of unethical business practices among employees or throughout the value chain which might affect the Company's reputation	47
4.	Work-life balance	Social & recreational activities/ initiatives for employees	Impacts to productivity and losses to the Company	65
5.	Clients satisfaction	Meeting clients' requirement in terms of costing, timing, technical expertise etc	Potential threat on loss of client and business opportunities.	51
6.	Employee well-being	Employees benefits and compliance with all wage laws for all categories of employees	Challenges on talent attraction and retention.	65
7.	Project delivery	Successful completion and delivery of projects on time and within budget.	Risk of losses arising from payment of compensation and reputation	51
8.	Equal opportunities & diversity	Fair treatment to all employees, employee diversity in respectful workplace	Challenges arising from workplace discrimination and unfair treatment	61
9.	Training & development	Training opportunities and career development to employees for self-improvement and development	Outdated skills and knowledge which may limit employee potential	64
10.	Corporate governance (newly added)	Transparent, accountable and responsible business behavior throughout the business operations and value chains.	Potential allegations of misconducts by authority or government in relations to ethical business behavior	47
11.	Branding & reputation (newly added)	Attraction of potential talent and retention of employees who are motivated, committed and share the same values as the Company	Improper managing of brand and failed stakeholders' communications could result in reputational damage	52
12.	Talent attraction & retention (newly added)	Attraction of potential talent and retention of employees who are motivated, committed and share the same values as the Company	Not being able to attract and retain talents will negatively impact the Company's ability to perform and achieve its objectives.	64

Sustainability Statement

Aligning to Global Principles

We align our material issues with the UNGC 10 principles and United Nations Sustainable Development Goals (SDGs) to increase value for ourselves and our stakeholders.





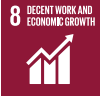


As a Company that puts sustainability at the core of our business growth, Salcon embraces the SDGs as a business opportunity and recognize that commercial and social impact are inextricably linked. Salcon is a signatory of the United Nations Global Compact (UNGC) and signed the pledge to uphold the UNGC's 10 principles on human rights, labour standards, environment and anti-corruption. We are also part of the Malaysia's Enablers of Human Rights and Climate Change policies under the Global Compact Malaysia (GCMY), a new programme aimed at enhancing companies' leadership in both climate change and human rights initiatives in Malaysia and across ASEAN.

Salcon's areas of alignment to SDGs and UNGC principles are presented in the table below. For further details, please refer to page 46, 53, 60 and 68 in this report.



EES Areas	SDGs	UNGC Principles
Economic 	 SDG 6 Clean water & sanitation	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery
	 SDG 7 Affordable and clean energy	
	 SDG 8 Decent work and economic growth	
	 SDG 9 Industry, innovation and infrastructure	
	 SDG 11 Sustainable cities and communities	
	 SDG 16 Peace, justice and strong institution	

Sustainability Statement



EES Areas	SDGs	UNGC Principles
Environment 	 <p>SDG 13 Climate action</p>	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p> <p>Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility</p>
Social 	 <p>SDG 3 Good health and well-being</p>  <p>SDG 8 Decent work and economic growth</p>  <p>SDG 10 Reduced inequalities</p>  <p>SDG 17 Partnership for the goals</p>	<p>Principle 2: Businesses should make sure they are not complicit in human rights abuses</p> <p>Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour</p> <p>Principle 5: Businesses should uphold the effective abolition of child labour</p> <p>Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>

Stakeholder Engagement & Management




Salcon's success rely on the effective bridging between the Company and our diverse stakeholder groups. Each of our stakeholder group significantly impact our business and strategies which sees us in multiple roles such as being an employer, contractor and infrastructure developer.

Guided by the AA1000 Stakeholder Engagement Standards, we conduct effective stakeholder engagement and management to help us to understand our stakeholders' expectations, identify material issues and better align our strategies development, risk management according to the EES needs.




Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Employees 	Employees are the backbone for the Company. They are the greatest and most valuable asset of the Company.	<ul style="list-style-type: none"> Occupational safety & health 	<ul style="list-style-type: none"> Safety & Health Campaign 	Annually	<ul style="list-style-type: none"> Safe and healthy working environment with better productivity 	66
		<ul style="list-style-type: none"> Training & development 	<ul style="list-style-type: none"> Training opportunities 	As needed	<ul style="list-style-type: none"> Enhanced skills for improved work efficiency 	64
		<ul style="list-style-type: none"> Work-life balance 	<ul style="list-style-type: none"> Salcon Recreational Club 	As needed	<ul style="list-style-type: none"> Sports and family-based activities to foster good work-life balance 	65
		<ul style="list-style-type: none"> Talent attraction & retention 	<ul style="list-style-type: none"> Employee performance review & rewards Employee entitlements & benefits 	As needed	<ul style="list-style-type: none"> Recognizing our employees' contributions 	64
		<ul style="list-style-type: none"> Employee engagement 	<ul style="list-style-type: none"> Festive celebrations 	As appropriate	<ul style="list-style-type: none"> Fostering positive relationships amongst colleagues 	61
			<ul style="list-style-type: none"> Company Facebook page 	As needed	<ul style="list-style-type: none"> Up-to-date information on the company's direction/ news 	52
			<ul style="list-style-type: none"> Internal newsletter 	As needed		
			<ul style="list-style-type: none"> Voluntary opportunities 	As needed	<ul style="list-style-type: none"> Opportunities for employees to give back to the society together 	70
Shareholders/ Investors 	Shareholders provide us with the financial capital needed to sustain our growth.	<ul style="list-style-type: none"> Investor and shareholder relationship Financial performance 	<ul style="list-style-type: none"> Analysts/ bankers/ fund managers meeting 	As needed	<ul style="list-style-type: none"> Analyst presentations with positive feedback on information shared Return on investment 	52
		<ul style="list-style-type: none"> Portfolio management & new income stream 	<ul style="list-style-type: none"> Annual General Meeting 	Annually	<ul style="list-style-type: none"> Platform to share the company's economic performance, business direction and strategies with our shareholders Rewarding our shareholders through dividend payment 	23



Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Clients/ Customers 	Clients are our main income source hence enable us to sustain financially. They provide us a direct gauge of the quality of our services.	<ul style="list-style-type: none"> • Project delivery 	<ul style="list-style-type: none"> • Client satisfaction survey • Regular project meetings 	Annually	<ul style="list-style-type: none"> • Project delivery within timeline and budget 	51
			<ul style="list-style-type: none"> • Customers services (at billing services center in Sandakan office) 	Daily (working day)	<ul style="list-style-type: none"> • Fast and prompt attention to customer needs at billing services center 	51
Regulators/ Government Authorities 	Regulators and government authorities holds the rights to inspect and assess the compliance of laws and regulations of our Company. This ensure continuous licensed day-to-day operation. Regulators and government authorities are also policy makers which decide on compliance issues and requirements throughout the operations.	<ul style="list-style-type: none"> • Corporate governance • Anti-corruption • Ethics & integrity • Environmental compliance 	<ul style="list-style-type: none"> • Full compliance with Bursa Malaysia, Security Commissions and Quality Management (ISO 9001) policies and guidelines 	As needed	<ul style="list-style-type: none"> • Create reputable branding as well as keeping track with the current market regulations 	52
			<ul style="list-style-type: none"> • Environmental compliance at project sites 	As needed	<ul style="list-style-type: none"> • Biodiversity conservation at project sites and create minimal carbon footprint • Effective resources management • Better awareness on environmental issues and compliance knowledge among employees 	54
Business Partners/ Associate partners 	Business partners/ associate partners are important for us in strategic business planning and long term business relationships.	<ul style="list-style-type: none"> • Portfolio management & new income stream • Project delivery • Financial management 	<ul style="list-style-type: none"> • Strategic business planning meetings 	As needed	<ul style="list-style-type: none"> • Improve business and economic performance • Forge long term bond 	23

Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Local Community 	Communities within our operating area allow us to contribute meaningful socioeconomic development to their lives.	<ul style="list-style-type: none"> Community engagement Local employment Community investment & development 	<ul style="list-style-type: none"> Charitable giving Internship opportunities 	As needed	<ul style="list-style-type: none"> Build positive relationships with the community and attend to their needs Real corporate world exposure for students 	69
			<ul style="list-style-type: none"> Environmental education - Conducted 5 Salcon Smart Water Programme and 1 Train The Trainers Programme 	Bi-monthly	<ul style="list-style-type: none"> Outdoor education learning opportunities for students 	69
			<ul style="list-style-type: none"> Local employment 	As needed	<ul style="list-style-type: none"> Creation of job opportunities for local communities at project sites 	71
Suppliers/ Sub-contractors 	Suppliers and sub-contractors are our key enablers of project delivery. We work with suppliers and sub-contractors who share the same values with us in EES sustainability.	<ul style="list-style-type: none"> Supply chain management Ethics & Integrity Corporate governance Anti-corruption 	<ul style="list-style-type: none"> Suppliers & sub-contractors evaluation 	Annually	<ul style="list-style-type: none"> Performance monitoring and improve efficiency throughout supply chain 	49
			<ul style="list-style-type: none"> Tender & bidding/ quotation requests Procurement policies & system 	As needed As needed	<ul style="list-style-type: none"> Share the same ethical procurement values 	49
Media 	Members of the media bridges the Company with the public and is an important channel for building the Company's reputation.	<ul style="list-style-type: none"> Branding & reputation 	<ul style="list-style-type: none"> Media releases One on One interviews 	As needed As needed	Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	52

Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Non-Governmental Organisations (NGOs) 	NGOs are our partners in improving the community's living quality in the social-environmental aspects.	<ul style="list-style-type: none"> • Community investment & development • Community engagement • Environmental initiative • Human rights 	<ul style="list-style-type: none"> • Partnership and support in community, and environmental sustainability • Support NGOs 	As needed	<ul style="list-style-type: none"> • Mutual understanding on sustainable environmental and social growth as well as biodiversity conservation • River & water conservation and education for community 	56
Industry Associations 	Industry associations keep us updated with the latest industry updates and serve as a platform for us to foster better relationship with industry peers.	<ul style="list-style-type: none"> • Branding & reputation 	<ul style="list-style-type: none"> • Industry exhibitions and conferences • Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) 	<p>As needed</p> <p>As needed</p>	<ul style="list-style-type: none"> • Keeping track with industry updates • Foster good relationships with industry peers 	52

Sustainability Statement

ECONOMIC

At Salcon, we are committed to deliver profitability and healthy economic performance in the marketplace by generating attractive returns on investment to our shareholders. We uphold the principles of transparency and accountability in all aspects of our governance practices, apply best practices in our value chain and deliver best quality services to ensure upmost clients' satisfaction.

Salcon's alignment to SDGs, material issues and our programmes under Economic Section:

SDG logo	Our Alignment to SDGs	Material issues
SDG 6 Clean Water & Sanitation 	Water & Wastewater Treatment We treat water and wastewater to provide communities with clean, safe and quality water.	<ul style="list-style-type: none"> Water use & management Wastewater management & effluent disposal/ reuse
SDG 7 Affordable And Clean Energy 	Solar Power We install solar photovoltaic systems in the United Kingdom to provide clean and affordable energy to households.	<ul style="list-style-type: none"> Environmental initiative
SDG 8 Decent Work & Economic Growth 	Healthy Economic Growth We diversified our business into various industries to create higher economic productivity.	<ul style="list-style-type: none"> Portfolio management & new income stream Technology & innovation
SDG 9 Industry, Innovation And Infrastructure 	Water & Wastewater Treatment Our core services, water & wastewater treatment provides one of the most basic yet essential infrastructure for healthy and sustainable living. Technology Services We provide smart city solutions through our joint venture Volksbahn Technologies Sdn Bhd by enabling efficient and fast networks through our fiber optic backbone in the Klang Valley.	<ul style="list-style-type: none"> Community investment & development
SDG 11 Sustainable Cities And Communities 	Improvement to Living Quality Our diversified businesses (water and wastewater, property development, transportation & technology services) create sustainable cities and quality living environment.	<ul style="list-style-type: none"> Community investment & development
SDG 16 Peace, Justice And Strong Institutions 	Transparency and Integrity Our core values of teamwork, commitment, professionalism and respect underpin how we work. We are committed to adhere to the highest standards of corporate governance and transparency with zero tolerance on corruption.	<ul style="list-style-type: none"> Corporate governance Ethics & integrity Supply chain management

Sustainability Statement

Under this Economic Section, we present our Marketplace performance in the following areas:

1. Strong corporate governance
 - a. Ethics & Integrity
 - b. Code of Ethics & Conducts
 - c. Anti-corruption
 - d. Risk Management
 - e. Business & Human Rights
2. Sustainable Supply Chain
 - a. Suppliers and Sub-contractors Performance Management
3. Economic Performance
 - a. Financial Performance
4. Clients Satisfaction
5. Branding & Reputation

Strong Corporate Governance

At Salcon, we believe that good and strong corporate governance is the bedrock of a sustainable and commercially successful business. Transparent and accountable business practices should be demonstrated throughout the value chain.

As a member of the Malaysia Institute of Corporate Governance (MICG), all level of employees in the Group, including the Board members are responsible for complying with the governance framework in their daily business decision and actions. For more details on Corporate Governance, kindly refer to the Corporate Governance Statement section in this Annual Report.

Ethics & Integrity

Ethics & integrity is one of the key material issues in our materiality matrix and we are committed to demonstrate responsible business practice to meet and exceed stakeholders' expectation for a long term mutually beneficial and sustainable relationship.

The Group's stand on ethical responsibility is encapsulated in two core documents: Code of Ethics and Conduct (COEC) and Statement of Policy and Business Ethics (SPBE).

Code of Ethics and Conduct

All employees are required to adhere to the do's and don'ts stated under the COEC. It is the duty of all employees to be informed about the COEC and to uphold these standards of conduct at all times.

The Board is fully committed to the principles of ethics, integrity, transparency, accountability and respect within our Code and reviews the COEC from time to time to ensure its compliance and effectiveness. The COEC, which was last reviewed in 2017, is available to all employees through online and offline platform. All employees will be notified in the event of any revision of the COEC. Every new employee is introduced and briefed on the COEC during the staff induction process and are expected to perform their roles and responsibilities in accordance with the highest ethical standards.

A whistle-blowing mechanism has been established for both internal or external stakeholders to report on any cases of misconduct related to the Group. Various communications channels such as email, phone call, grievance report form and face-to-face meeting with HR personnel have been provided to receive and act on complaints and grievances reported by our stakeholders. In FY 2018, there is no non-compliance with laws & regulations in the social and economic areas.

Anti-corruption

In alignment with the UNGC Principle 10 (Businesses should work against corruption in all its forms, including extortion and bribery) and the SDG 16 (transparency & integrity), the Group is committed to adopt the highest standards of honesty and integrity in our business activities. We do not tolerate any form of corruption within the organisation and take the most serious view of any attempt of corrupt practices by members of staff, contractors, agents and business partners.



Sustainability Statement

The Statement of Policy and Business Ethics which was introduced in 2017 draws together the principles to support Salcon's zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders. The Board of Directors fully supports the Policy and expect all Salcon employees to act professionally, fairly and with integrity in all business dealing and relationships.

The Group shares the same values on anti-bribery and anti-corruption with stakeholders who perform services or deliver business for and on behalf of Salcon namely suppliers and sub-contractors, by extending a condensed version of our Policy statement to them upon their appointment. Suppliers and Sub-contractors will need to acknowledge their understanding and agreement on the Company's firm stand on the Policy.

In collaboration with the Malaysia Anti-Corruption Commission (MACC), an anti-corruption training was conducted in March this year to raise awareness on the impact and risks of corruption and bribery to business sustainability.

In FYE 2018, we achieved:

- Zero reported incidents of corruption in FYE 2018
- Zero fines/ penalties in FYE 2018 in relation with corruption/ bribery
- Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines
- Zero political contribution made

Risk Management

Risk management is a crucial process to manage and respond to various risks in order to minimize uncertainties and losses. At Salcon, our risk management is overseen by the Risk Management Committee (RMC) and supported by the Internal Audit & Risk Management Department.

Our risk management committee consists of an independent non-executive director as chairman, an executive director, an engineering & proposal division director, Chief Operating Officer and Chief Financial Officer.

The RMC meet at least once a year to discuss any potential and existing risk issues in the Group, review its adequacy and effectiveness according to current local and global business environment and reports them to the Board.



Aerial view of the Langat Centralized Sewage Treatment Plant.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. Under the framework, we identify, evaluate, mitigate and report the operational risks, environmental risks, corruption risk on our projects.

Representatives from the Internal Audit & Risk Management Department form part of the Sustainability Working Group and responsible to look into the Company material issues and incorporate the same into the Company's risk scorecard.

Our detailed risk management practice is outlined in Corporate Governance Statement and Statement of Risk Management and Internal Control sections in this Annual Report.

Business & Human Rights

We are committed to the UNGC's Principle 1 & Principle 2 in human rights standards, where business should support and respect the protection of internationally proclaimed human rights, and business should make sure they are not complicit in human rights abuses.

Sustainability Statement

Besides employees, intermediaries are also covered under the whistle-blowing policy and have the right to report any unfair treatment or misconduct under the grievance mechanism.

In March this year, we conducted a training with the Human Rights Commission of Malaysia (SUHAKAM) to our employees to introduce the three pillars of the United Nations Guiding Principles (UNGPs) on Business and Human Rights and raise awareness on the importance of having no human rights violation in our business operations.

Sustainable Supply Chain

Our commitment to foster a culture of integrity extends throughout our supply chain. Under our procurement policy, suppliers and sub-contractors are carefully selected to ensure an effective and sustainable supply chain management.

All our suppliers and sub-contractors are well communicated with our Group ISO policies, which are ISO 9001 Project Quality Manual, ISO 14001 Environmental Manual, OHSAS 18001 Manual as well as the Statement of Policy and Business Ethics. A

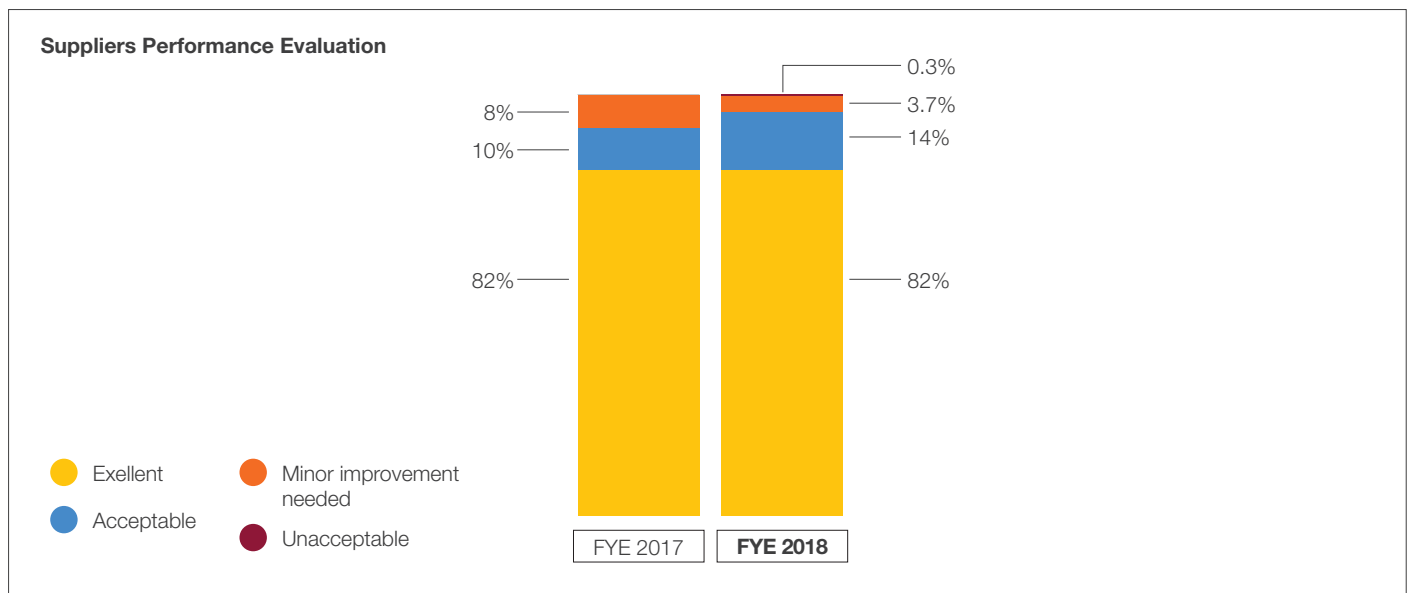
condensed version of these policies are appended together with the appointment of each and every intermediary and we expect their commitment to ethical and sustainable business practices, with consideration for human rights, child protection, labour standards and anti-corruption and to act accordingly at all times.

Suppliers and Sub-contractors Performance Management

We screen and keep track of our suppliers' and sub-contractors' performance via a yearly evaluation by the respective project managers. This is to ensure that they comply with our procurement policy and to review any areas of improvement in terms of deliverables, pricing, workmanship, cooperation and emergency response. Suppliers and sub-contractors who are unable to meet our criteria will be removed from our suppliers and sub-contractors list to ensure quality deliverables. As at FYE 2018, the satisfaction level for our sub-contractors stood at 55%, compared with 67% in the preceding year.

We also work with our sub-contractors and provide them with safety and health trainings to drive improvements across the operations.

Supplier Performance Evaluations (%)



Sustainability Statement

Economic Performance

During FYE 2018, the Group recorded RM143.1 million gross economic value, a 33.8% of decrease compared to the preceding year due to lower revenue contribution from the Property Development Division with the completion of the rés280 project in Selayang and due to the Group's adoption of the Malaysian Financial Reporting Standards (MFRS) which recognise revenue and profits only upon completion of a development. The Group's total cash and cash equivalents stands at RM115.1 million, gearing ratio at 0.11 and total borrowing at RM48.38 million.

Though this was a challenging year for the Group with lesser job awarded in FYE 2018, we managed to record a turnaround to profitability. To ensure a sustainable financial management, we always take consideration on the Group's sustainability and material issues into the Group's business direction and strategy. Whilst growing the existing business and exploring new business opportunities through diversification, we integrate all business decision with the key material issues to mitigate the potential risks and assure growing competency.

Economic Data (Group level):

Description	2016 (RM '000)	2017 (RM '000)	2018 (RM '000)
Revenue	98,974	206,492	130,221
Other income and interest income	13,823	9,744	12,918
Gross value generated	112,797	216,236	143,139
Our suppliers: Operation costs	(57,954)	(221,470)	(124,498)
Our employees: Salaries and benefits	(35,438)	(38,742)	(27,583)
Our lenders: Payment to lenders (financial cost)	(4,820)	(4,034)	(3,865)
The Government: Payment to Government	(4,896)	2,707	(2,224)
The Rakyat: Community Investment	(161)	(360)	(230)
Net-value added	9,528	(45,663)	(15,261)
Our shareholders: Payment to shareholders	(13,294)	(21,898)	(6,731)
Our Future: Economic Value Retained	(3,766)	(67,561)	(21,992)

Revenue by Country

Country	2016 (RM '000)	2017 (RM '000)	2018 (RM '000)
Malaysia	89,471	198,406	127,823
Vietnam	207	-	-
Sri Lanka	8,483	-	-
Thailand	205	-	-
Others	608	8,086	2,398
Total	98,974	206,492	130,221

Sustainability Statement

Commitment to Our Clients

Clients are our key stakeholder and main income source. They provide a direct gauge of our service quality and areas of improvement. We engage our clients through various channels such as clients' satisfaction survey, regular project meetings and informal get-together activities.

Project delivery is one of the key material issues and we are committed to the successful completion and delivery of projects on time and within budget. In order to meet clients' satisfaction and requirement, we review our performance on a yearly basis through a clients' satisfaction survey where we are able uncover any shortfalls and take immediate actions for improvement. Successful project delivery experience can help us gain clients' confidence and build a stronger portfolio.

In FY 2018, we conducted a client's satisfaction survey for 7 projects in Malaysia, namely Langat 2 Water Treatment Plant project, Network Pumping Station Langat project, Kuala Terengganu Utara

Water Treatment Plant project, Non-Revenue Water (NRW) Marang project, Pipe Replacement Package 6, Package 8 and Package 11A project in Selangor.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 4 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 1.5 minutes, compared with 1.52 minutes in the preceding year.

Besides delivering the best services to our clients, we are committed to respect our clients' privacy and ensure that our clients' data is protected under the Personal Data Protection Act 2010. We do not disclose or use the clients' information for any other purposes without clients' consent. In FY 2018, there are no incidents or complaints pertaining to breaches of clients' privacy.



Site visit to the Langat 2 Water Treatment Plant by YB. Dr. Xavier Jayakumar, Minister of Water, Land and Natural Resources.

Sustainability Statement

Branding & Reputation

Branding & reputation is a newly added key material issue following the review of the materiality matrix by the SWG and Sustainability Committee. Effective communications and engagement is crucial in creating a positive corporate image to the stakeholders and public. We manage our branding & reputation through the following platforms to maximize our engagement impacts:

1

Analyst and fund managers briefing

We meet with analysts and fund managers from time to time to keep them updated on Salcon's financial and operation performance.

2

Industrial exhibitions, seminars, workshops and conferences

We participated in the biggest water exhibition in Vietnam - VietWater 2018 Conference & Exhibition to further penetrate into the Vietnam water market by increasing brand awareness in the country and meeting potential partners or clients.

Our subsidiary, Salcon Petroleum Services (SPS) participated in four exhibitions and conferences in FY 2018 to meet experts in offshore, technology and sustainability. Offshore Technology Conference (OTC) and Wells Technology Conference 2018 are among 2 exhibitions SPS joined.



Salcon Petroleum Services participated in the Offshore Technology Conference in July 2018.

3

Membership participation

In order to support and keep track with the latest industry updates and maintain our relationship with the industry peers, we participate in various related industry associations and are a member of:

- a) Global Water Intelligence
- b) Malaysia Water Association (MWA)
 - a. Participation & support in the Water Industry Guide, Table Calendar & Annual Dinner
- c) International Water Association (IWA)
- d) Malaysia Investor Relations Association (MIRA)
 - a. Attended seminars/ workshop organized by MIRA
- e) Malaysia South-South Association (MASSA)
 - a. Participation in Anniversary Dinner and experience sharing on venture into Vietnam market
- f) United Nations Global Compact (UNGC) (signatory)
 - a. Submission of Communication of Progress (COP)
 - b. Being a respondent for Malaysia Human Rights & Climate Change survey
 - c. Being one of the Malaysia Human Rights & Climate Change Enabler
- g) Malaysia Institute of Corporate Governance (MICG)
- h) Malaysia Employment Federation (MEF)

4

Online platform

Currently, the Group's corporate website (www.salcon.com.my), corporate webmail (corporate@salcon.com.my) and Facebook page (www.facebook.com/SalconBerhad) are the main online communication tools with our stakeholders. Stakeholders may obtain the latest information from the corporate website and communicate directly with us through the webmail or Facebook page.

5

Get-together activities

We conduct networking session with our stakeholders such as clients/ associates/ consultants/ government authorities through semi-formal festive celebrations such as Buka Puasa Get-together. The get-together activities were conducted at project site levels and we take the opportunity to listen to our stakeholders' feedback on our project progress and performance.

Sustainability Statement

ENVIRONMENTAL

We are committed to minimizing our environmental impacts and building operational resilience throughout our operations by reducing our carbon footprint and emissions.

Although environmental issues are not rated as key material issue under our materiality survey, all employees are responsible to comply with relevant environmental policies, conduct environmental performance monitoring and conservation efforts as part of our climate mitigation effort to ensure a sustainable future.

Salcon's alignment to SDGs, material issues and our programmes under Environmental Section:



SDG 13 Climate Action

Our Alignment to SDGs

The company's commitment towards sustainability and environmental management is encapsulated in the Salcon Green Policy which aims to reduce our carbon footprint and pollution in the key areas of energy & water consumption, waste management, procurement, biodiversity and education.

Material Issues

- Wastewater management & effluent disposal/reuse
- Waste management
- Water use & management
- Environmental compliance
- Environmental initiative
- Pollution
- Material use
- Energy management
- Carbon emission
- Biodiversity
- Noise
- Climate change

Under this Environment Section, we present our environmental performance in the following areas:

1. Climate change & pollution
2. Our approach in environmental management
 - a. Environmental Governance
 - b. Environmental Conservation
 - c. Environmental Data Monitoring

Climate Change & Pollution

In line with SDG Goal 13 to take urgent action to combat climate change and its impacts, we continue to address the threat of climate change and pollution through mitigation and awareness efforts. Actions taken by the Group to reduce the impact of climate change include efficient energy management, emission management, waste management and biodiversity conservation.




One of the biggest threats identified from climate change and pollution is the business continuity of operations. Severe impacts caused by climate change and pollution might lead to higher operating costs as more expensive and advanced technology would be required to treat polluted raw water. Thus, the COO oversees the Group's climate change and pollution mitigation initiatives proactively and reports to the Board.

Besides recognizing climate change risks, we also incorporate climate change opportunities into our business strategy. In 2012, we invested in solar panel installation for houses in Southern United Kingdom. This not only generate green energy income for us but also helps to reduce GHG emissions.

Although we do not measure GHG emissions from our operations at present, under the Group's Green Policy, we are committed to apply the following practices in minimizing our carbon footprint and reducing GHG emissions:

1. Efficient energy consumption & management
2. Water conservation & quality water to the community
3. Effective waste management
4. Procurement of environmentally sound products
5. Reducing actions which will adversely impact the eco-system and biodiversity
6. Education to employees and intermediaries

Sustainability Statement

Country	Initiatives to reduce our carbon footprint	Environmental impact
Malaysia 	<ul style="list-style-type: none"> • Zero burning at project site • Video conferencing to replace travelling • Yearly oil spillage drill to avoid soil contamination 	<ul style="list-style-type: none"> • Biodiversity conservation • Carbon footprint reduction • Land preservation
Vietnam 	<ul style="list-style-type: none"> • External drainage cleaning 	<ul style="list-style-type: none"> • Drainage management
United Kingdom 	<ul style="list-style-type: none"> • Solar panel installation investment 	<ul style="list-style-type: none"> • Renewable energy

Our Approach in Environmental Management

As part of our long term approach to achieving environmental sustainability and addressing climate change and its potential environmental impacts to our business operations, we focus on 3 fundamental areas which are environmental governance, environmental conservation initiatives and environmental data monitoring.



External drainage cleaning at Binh An project site to prevent standing water which may lead to biodiversity issues.

Environmental Governance

Environmental issues in our business operation is guided by the core global framework – ISO 14001 Environmental Management System (EMS) as well as the Group’s Environmental and Green Policies.

In FY 2018, the Group successfully transitioned from ISO 14001: 2004 EMS to ISO 14001: 2015 EMS. The ISO 14001 is reviewed annually by the Bureau Veritas and 100% of our project sites which are monitored by the Safety, Health & Environment (S.H.E.) Department are certified under ISO 14001. With the new standard in place, we are able to incorporate our environmental management system into the core business processes with more involvement from senior management.

In other focus areas, we are guided by the Group’s Green Policy, which was launched in 2016 to further enhance our environmental sustainability efforts in key areas such as energy, water use, pollution, procurement, biodiversity as well as environmental education.

The Board provides oversight of the Group’s environmental strategies, initiatives and performance, supported by the Sustainability Committee. The Chief Operating Officer (COO) is the highest executive who is responsible for the Group’s environmental performance. All environmental strategies and initiatives are spearheaded by the S.H.E. Department, which is part of the Sustainability Working Group and supported by the S.H.E. Committee. Environmental issues may be raised for discussion and review as part of the Board’s meeting agenda.

As at FYE 2018, there were no fines and penalties on issues related to the environment due to any non-compliance with environmental laws and regulations.

Environmental Conservation Initiatives

We are committed to reduce our carbon footprint and have various initiatives in the following environmental focus areas such as energy, water, waste, emission, dust, biodiversity and recycling practices.

Practices such as temperature control, turning off lights, computer and water taps when not in use are applied throughout our business operations. Operationally, we comply with the local authorities rules and regulations on handling dust and managing waste and emissions. We also collaborate with external parties to leverage on their resources to implement our environmental conservation programmes.

Sustainability Statement

Environmental focus area	Actions	Company/ Operation country
Energy Management	Temperature control for air conditioning	Group level
	Turn off lights in rooms not used	Group level
	Replacing faulty lights to LED lights which is more environmentally friendly	HQ
	Educating employees on energy saving through posters & emails	Project sites, Malaysia
	Clear perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang	Penang
	Energy conservation policy at Binh An Water Corporation (BAWC) and energy audit was conducted to monitor the consumption	Vietnam
Water Management	Non-Revenue Water (NRW) reduction projects in several towns in Malaysia, such as Kuala Terengganu, Marang and Sandakan Our NRW reduction achievement: 1. Kuala Terengganu project: 10 million litres per day (MLD) reduction 2. Marang project: on-going project. (3MLD reduction presently)	Malaysia
	Partnership with Non-Government Organization - Water Watch Penang for a holistic educational approach on water conservation	HQ
	Recycle water for site washing at project sites as well as car and depot washing	Malaysia
	Regular checking and immediate action taken for any leakage	Group
Waste Management	Scheduled/ hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location	Malaysia
	Introduction of e-Waste bin at office for employees to dispose household or office e-waste properly	HQ
Emission Management	Usage of diesel instead of oil for our transportation services	Penang
Dust Management	Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood	Malaysia
Biodiversity Conservation	Conducted Environmental Aspect Identification (EAI), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (HIRARC) before commencing a project	Malaysia
	Strictly zero burning and zero hunting at project site	Malaysia
	We are a signatory with World Wild Life (WWF) to support No-Shark Fin for all our corporate functions	Malaysia
	Collaborated with Malaysia Nature Society (MNS) to conduct mangrove tree planting to maintain water quality & avoid soil erosion	Malaysia
Recycling	Recycle practice at all offices	Group level
	Recycling campaign/ competition	HQ
	Garage sales to promote re-use and recycle	Malaysia

Sustainability Statement

We collaborate with Non-Governmental Organizations (NGOs) who share the same vision with us to organize hands-on programmes for our participants to raise environmental awareness in the following 3 environmental focus areas: biodiversity, water conservation and recycling.



Supporting Biodiversity through Salcon Mangrove Tree Planting Programme

We collaborated with the oldest and largest non-governmental environmental organization in Malaysia – the Malaysian Nature Society (MNS) to plant 100 mangrove trees and 40 mangrove seeds at the Bagan Lalang Beach, Sepang, Selangor.

Salcon employees and family members participated in this biodiversity & eco-system conservation initiative and volunteered to step into low-oxygen and slow-moving-water soil to plant the mangrove trees.



Salcon employees and families successfully planted 100 mangrove trees.



Water Conservation via Salcon Smart Water Programme

Salcon Smart Water Programme is our flagship programme to engage the community in water conservation and education. We collaborate with Water Watch Penang (WWP) to conduct hands-on river water monitoring for primary and secondary school students. For more information about the programme, please refer to our Social – Community section of this report.



Office Recycling Competition & Garage Sale

In collaboration with Community Recycle for Charity (CRC), a non-profit organization, this annual inter-departmental spring cleaning and recycling competition was conducted at the end of FY 2018 to encourage employees to recycle, reduce and reuse. A total of 1,095kg of paper, plastic, glass, reusable items, metal and electronic items were collected during the campaign.

A garage sale was also organized to allow employees to sell their preloved items or even new gadgets which are not used to make extra cash and recycle at the same time.



Sustainability Statement

Environmental Data Monitoring

Environmental data serves as an important indicator for us to monitor our environmental progress and performance. It helps us to measure our progress and give us an opportunity to review our action taken in order to achieve the target set. We monitor and report the progress of our environmental performance on a yearly basis for energy, water and waste against our 10-year long term target to reduce consumption in these 3 categories.

3-Year Energy Consumption Data:

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

Energy Consumption at Administrative Offices



Target

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

Office	FYE 2016 (baseline)		FYE 2017		FYE 2018	
	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
HQ	147,368	124	140,225	122	134,329	140
Envitech	79,240	53	71,942	44	69,502	45
VBT	47,096	16	39,960	16	42,476	17
SPS	N/A	N/A	9,930	14	14,585	18
Eco-Coach	2,239	18	3,900	20	45,252	20
Total	275,943	211	265,957	216	306,144	240
Energy consumption per person (kWh)	1,307		1,231		1,275	

- Progress as at FYE 2018: 2.4% reduction of energy consumption per person compared with FYE 2016.
- Energy consumption at project site is not included in the 10-year target due to the fact that the duration of a typical project ranges from 1 to 3 years.

Energy Consumption at Project Sites

Project site	FYE 2016 (kWh)	FYE 2017 (kWh)	FYE 2018 (kWh)
Langat 2	417,089	271,749	276,146
Langat Centralised Sewage Treatment Plant (CSTP)	240,000	74,876	18,749
Kuala Terengganu Utara WTP	N/A	N/A	51,277
Binh An Water Treatment Plant	10,434,400	10,430,400	10,431,300

Sustainability Statement

3-Year Water Consumption Data



Target

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

As a company with water and wastewater treatment plant construction as core business, we understand how precious and important is clean and quality water as a natural resource. We are committed to reduce water use throughout the Group and improve the efficiency via technology.

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas.

As Malaysia is not a water-stressed region, being blessed with high abundant rainfall averaging 3,000mm annually, we do not invest in R&D to mitigate water-related risks at this moment as we place more focus on other operational and management risks.

As at FYE 2018, there are no incidents of non-compliance with water quality/ quantity permits, standards and regulations. Over the last 3 years (FY 2018, 2017, 2016), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water ie rivers.

Office	FYE 2016 (baseline)		FYE 2017		FYE 2018	
	Water consumption (m3)	No. of employees	Water consumption (m3)	No. of employees	Water consumption (m3)	No. of employees
Envitech	549	53	365	44	335	45
SPS	N/A	N/A	12	14	19	18
Eco-Coach	16.8	18	19.2	20	7	20
Total	565.8	71	396.2	78	361	83
Water consumption per person (m3)	8.0		5.1		4.3	

HQ and VBT's water data is not available as its water usage is taken as part of the office rental

- Progress as at FYE 2018: 46% reduction of water consumption per person compared with FYE 2016.
- Water consumption at project site is not included in the 10-year target due to the fact that the duration of a typical project ranges from 1 to 3 years.

Water Consumption at Project Sites

Project site	FYE 2016 (m ³)	FYE 2017 (m ³)	FYE 2018 (m ³)
Langat 2	148,861	1,928	73,605
Langat CSTP	480	841.75	299
Kuala Terengganu Utara WTP	N/A	N/A	2,768
Vietnam Binh An WTP	20,000	20,000	20,000

Sustainability Statement

3-Year Scheduled Waste Data



Target

To reduce scheduled waste generation by 10% per project basis by 2026 from 2016

Project site	FYE 2016 (metric tonnes) (baseline)	FYE 2017 (metric tonnes)	FYE 2018 (metric tonnes)	Result (Comparison of % reduction FYE2018 with FYE2016)
Langat CSTP	1.60	1.27	2.40	+ 50%
Langat 2	4.30	2.18	0.45	- 89.5%
Vietnam	0.12	0.12	0.12	maintained

2 out of 3 of our project sites (66.7%) successfully reduced scheduled waste generation by more than 10%.

3-Year Raw Material Used Data

Vietnam Project	FYE 2016 (tonnes)	FYE 2017 (tonnes)	FYE 2018 (tonnes)
Chlorine	48	46	44
Lime	240	248	226
Alum	572	550	519
Fluoride	55	60	55

Langat CSTP Project	FYE 2016 (tonnes)	FYE 2017 (tonnes)	FYE 2018 (tonnes)
Metal	9,300	13,443	459
Concrete	3,600	98,830	12,369

3-Year Diesel Consumption

Office/Site	FYE 2016 (liters)	FYE 2017 (liters)	FYE 2018 (liters)
Eco-Coach & Tours	940,801	1,080,521	1,200,000
Langat CSTP	131,040	109,200	98,280

3-Year Recycled Data

	Paper (kg)	Plastic (kg)	Metal (kg)	Glass (kg)	Reusable items (kg)	Electronic items (kg)
FYE 2016	4,262	288.6	157.1	106.4	469.3	252.1
FYE 2017	3,778	0	34	0	0	0
FYE 2018	2,362.4	13.3	24	4.3	76.9	0.5

Sustainability Statement

SOCIAL – EMPLOYEES

Employees are a fundamental element contributing to the Group’s long-term growth and success. Along our journey in workplace sustainability, our aim is to be an employer of which our people are proud to work for.

We are committed to create a respectful, diverse, inclusive and collaborative work culture as well as safe and healthy working environment to ensure our employees are able to perform with maximum productivity.

Salcon’s alignment to SDGs, material issues and our programmes under Social - Employees Section:

SDG logo		Our Alignment to SDGs	Material Issues
SDG 3 Health And Well-Being		We are committed to create a safe and healthy workplace for all employees at office and project sites whilst promoting a healthy work-life balance.	<ul style="list-style-type: none"> • Occupational safety & health • Employee well-being • Work-life balance
SDG 8 Decent Work & Economic Growth		We provide trainings to employees to enhance their skills and competencies for career development and promotion opportunities.	<ul style="list-style-type: none"> • Training & development • Talent attraction & retention
SDG 10 Reduced Inequalities		We welcome diversity and aim to create a culture of inclusivity with zero discrimination by gender, race, religion or ethnicity at the workplace.	<ul style="list-style-type: none"> • Equal opportunities & diversity • Employee engagement

Employees Rights

We practice fair employment and abide by the Employment Act in Malaysia and similar employment acts in other countries in which we operate. Every employee is entitled to his or her own rights at the workplace, including the right to privacy, fair compensation, and freedom from discrimination. In order to keep abreast with the latest labour issues, Salcon’s Human Resources personnels attend to the Malaysia Employment Federation (MEF) forum from time to time. There is no report on grievance or non-compliance on human rights issues in FYE 2018.

Under the Whistleblowing Policy and the grievance mechanism, employee can freely voice out or report any misconduct or issues related to human rights/ employee rights.

We uphold the following principles in ensuring a respectful, fair, healthy and functioning workplace:

Principle	Our Action
No child labour	In all the countries in which we operate in, we strictly comply with the local laws and regulations to ensure we do not recruit any employees below the set minimum age.
No forced labour	
Freedom in political view	We do not impose on our employees’ political view as this is our employee’s personal choice and freedom. However, employees are not allowed to influence other workforce or allow their work performance to be affected by their political views.
Fair treatment	All employees are treated equally and received fair treatment on their recruitment, including working hours, overtime and minimum wage.
Safe & healthy workplace	We are responsible for our employees’ workplace health & safety and implement various of initiatives to create a safe & healthy working environment. For more information, please refer to the Safety & Health at this section.

Sustainability Statement

Diversity & Equality

Equal Opportunity and diversity is one of the key material issues in our Materiality Matrix. Being headquartered in a multi-racial country, Malaysia, we are committed to provide a diverse, inclusive and fair work culture that values and celebrates differences. Diversity is embraced and different perspectives on issues are welcomed as it fosters creativity, innovation and 'out-of-the-box' thinking to solve business challenges.

The Group's Human Resources Department and recreational club, Salcon Recreational Club (SRC) play an important role in embracing diversity, promoting inclusion and creating positive vibes through employee engagement activities such as festive celebrations, sports events and recreational activities to strengthen the relationship among colleagues from different backgrounds.

We emphasize on 2 principles under Diversity & Equality, which are:

1. Equal opportunities
2. Women empowerment & gender diversity



Employee involvement programme in conjunction with World Water Day celebration.

Equal Opportunities

Every employee in the Group is treated fairly and equally in terms of recruitment opportunities and career advancement. Promotions, remunerations or performance incentives are solely based on performance and merit.

We do not discriminate our workforce in terms of gender, age group, racial, ethnicity, sexual orientation, nationality, religion, cultural background, marital status, disabilities, political inclination or union membership.

We respect and recognize valuable and productive abilities in everyone and value the inclusion of persons with differing abilities. At our subsidiaries namely Envitech Sdn Bhd & Eco-Coach Sdn Bhd, we have hired employees with hearing disabilities who receive equal treatment and benefits as other able-bodied employees. This accounts for 0.6% of Salcon total global workforce. There is no incident of discrimination reported in FYE 2018.

Women Empowerment & Gender Diversity

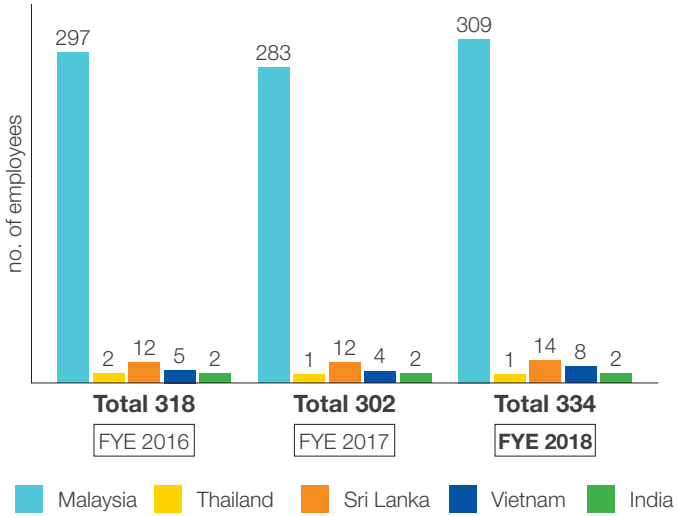
As at FYE 2018, we have a workforce of 202 male employees and 132 female employees. Female employees account for 40% of the total global workforce and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 27% of the senior management consists of female employees, a slight decrease of 1% compared with the preceding year.

Currently, we are actively looking for a suitable female director to join the existing 6 male directors on Board and hope to identify one within this year to provide different perspectives in leading the company to achieve higher milestones.

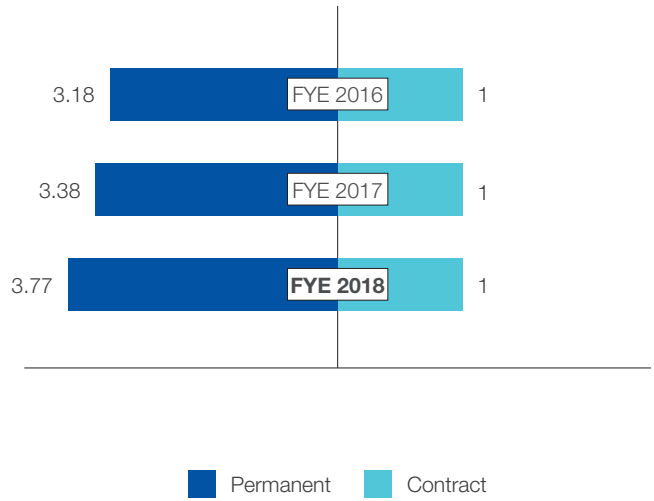
Sustainability Statement

Employees demographic data:

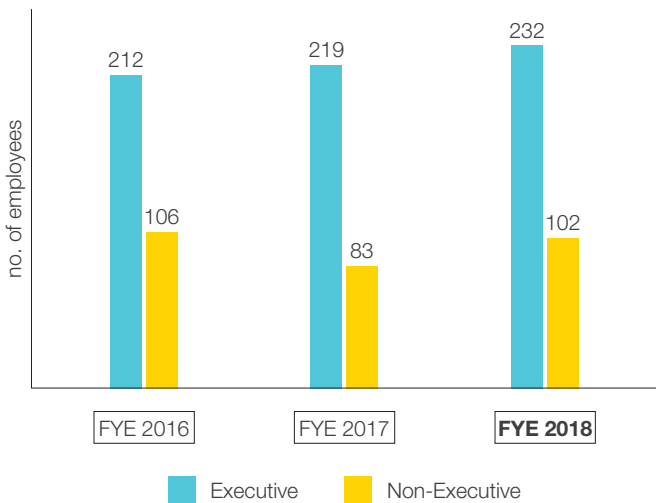
Total Number of Employees



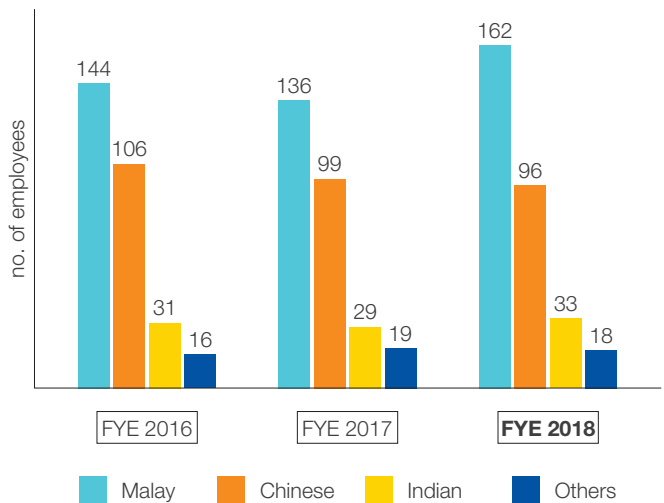
Ratio of Permanent to Contract Employees



Category (Executive and Non-executive)

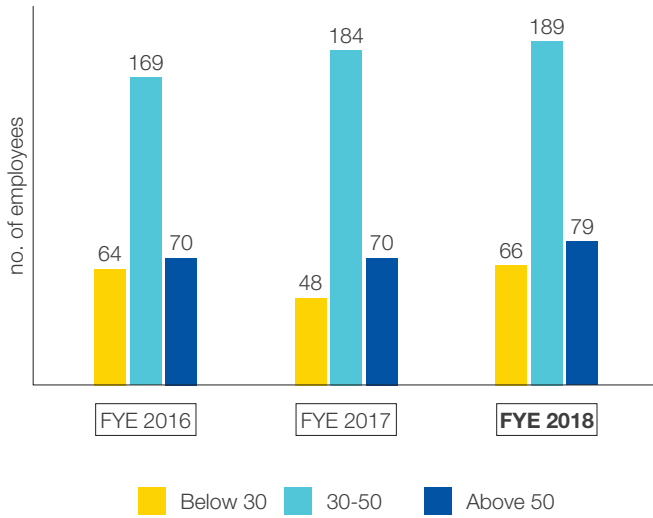


Ethnicity (Malaysia only)

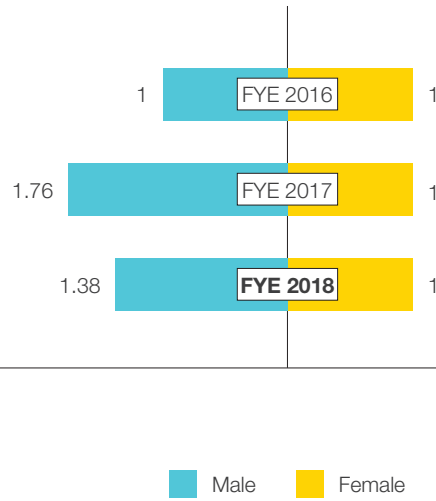


Sustainability Statement

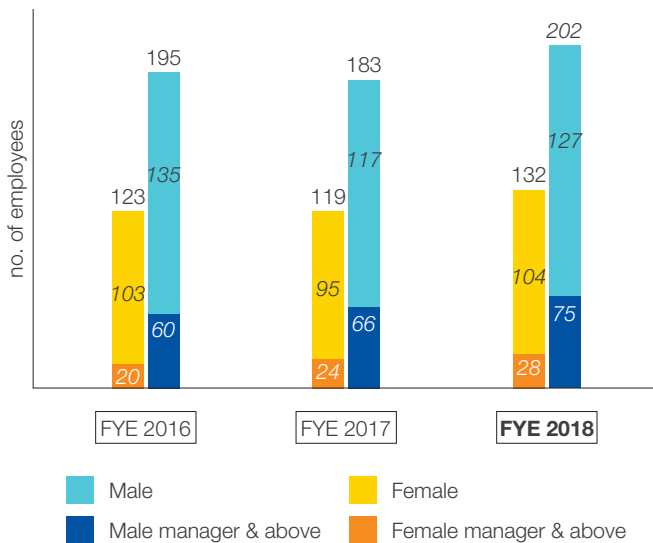
Age Group



Ratio of Remuneration (Men versus Women)



Combination of Gender & Gender of Employees with Position Manager & Above



Sustainability Statement

Human Capital Development

Human capital development and investment is crucial for Salcon's success. The process of developing human capital requires creating the necessary environments in which our employees can learn better and apply innovative ideas, acquire new competencies, develop skills, behaviors and attitudes.

We adopt 2 approaches in developing our internal human capital, which are talent retention & attraction and training & development. We believe these 2 approaches are effective in nurturing our talent and attracting new blood to the Company.

Talent Retention & Attraction

We continuously retain and attract committed, motivated, creative and innovative talents through constant engagement and providing them with competitive salary packages and career advancement opportunities. We ensure that our wages, benefits and perks are competitive by benchmarking ourselves with our industry peers from time to time.

In FYE 2018, our full-time employee turnover rate stands at 7.2%. Newly recruited permanent and non-permanent employees in FYE 2018 was 34 and 13 people respectively.

Training & Development

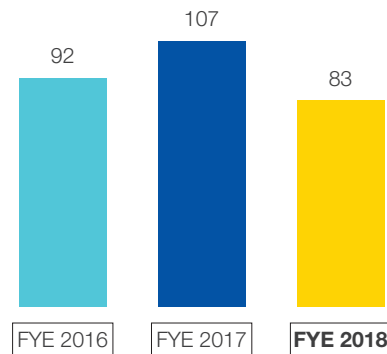
We empower our employees through training and development as it is vital for them to keep abreast with the fast-changing market and to upskill their knowledge. A variety of training programmes are offered to the employees to sharpen their management and technical skills to support personal effectiveness and business needs. These programmes focus on personal & leadership development, positive

mindset, functional/ knowledge, supplementary knowledge as well as safety & health.

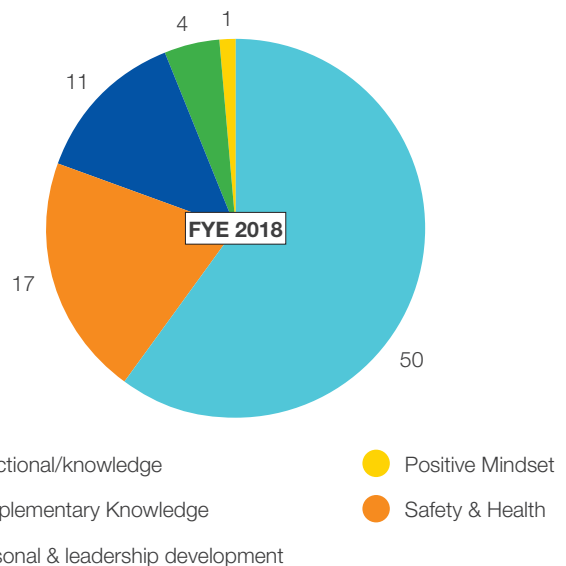
Based on post training surveys from employees, averagely, 92% of the training were effective in achieving and supporting personal development and business needs.

Training Needs Analysis are conducted on a yearly basis where employees discuss with their respective superior to identify suitable training sessions and opportunities to maximize personal potential.

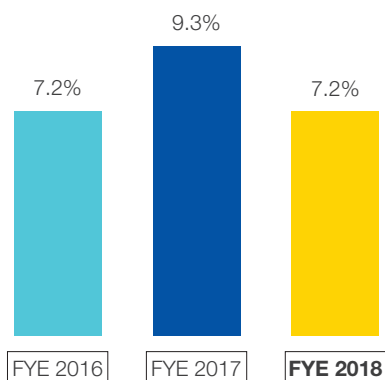
Total Number of Training Programmes for Employees



Categories of Training



Full Time Employee Turnover Rate



Sustainability Statement



Number of training hours
1,819 hours



Average training hours per employee
5.9 hours



Average training days per employee
0.5 days



Training investment
RM136,761.50



Effectiveness of training
92% of participants surveyed, met their training objectives

Employee Well-being & Work-life Balance

Happy employees with a healthy work-life balance deliver better results and bring win-win solutions for both the Company & individual. To ensure that our employees are physically and mentally fit to perform at the workplace, the following measures are taken to ensure our employees' well-being:-

1. Family-friendly Benefits

In order to support working parents, we offer family-friendly benefits such as marriage leave, paternity leave, examination leave, cash coupon for newlyweds and new-born baby to all employees. Other benefits include medical coverage for employees and their children, condolence wreath for passing away of employees' immediate family.

2. Work-life Balance

We encourage our employees to stay active by participating in physical activities whether in their personal life or through company's activities. Regular sports activities, outings and informal get-togethers are organized by our Salcon Recreational Club (SRC) whilst health checks and blood donation opportunities are conducted during our annual Safety & Health Campaign.

Maintaining a Healthy Work-life Balance

Focus area	Organizing unit	Activities
Sports & Recreational	Salcon Recreational Club	Regular sports activities – bowling and badminton Outings – Family Day, Annual trip Get-together – Annual Dinner
Physical Health	Safety, Health & Environment Committee	Annual Safety & Health Campaign Month: <ul style="list-style-type: none"> • Blood donation • Biggest Loser Campaign • Optical check • Blood pressure check • Breast checking



Company Annual Trip to Zhang Jia Jie, China.

Sustainability Statement

Occupational Safety & Health

As the top key material issue to the Group, occupational safety & health is guided by the Group's Safety & Health Policy, and in line with the SDG 3: Good Health & Well-being. The Board and COO oversee the Group's occupational safety & health to ensure that all safety and health aspects are well taken care of. The Safety, Health & Environment (S.H.E.) Department and S.H.E. Committee implements the S.H.E. initiatives and reports on the progress and issues to the Board.

Employees and sub-contractors spend averagely a third of their daily life at the workplace during a working day. Thus, it is crucial for us to provide a safe and healthy working environment for a safe workplace whilst reducing the Company's operational cost from employees' workplace injury and medical leaves at the same time.

100% of our project sites which are monitored by the S.H.E. Department are certified with the OHSAS 18001 certification and audited by the Bureau Veritas. The S.H.E. Committee, which is chaired and responsible by the Group Chief Operating Officer (COO) consists of representatives from the management and employees.

With the support of the S.H.E. Department, the S.H.E. Committee carries out numerous initiatives and monitor the safety and health progress, targets and its implementation.

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

No.	Action	Project site/ office
1.	Hazard Identification, Risk Assessment and Risk Control (HIRARC) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
2.	Basic occupational first aid & CPR training	Envitech
3.	Safety & Health Campaign Month	HQ
4.	OHSAS Campaign -Labour Safety and Hygiene Week	Vietnam
5.	Fire drill	HQ, Envitech, SPS, Langat 2, Langat CSTP
6.	SHE induction training for new workers	Applicable water and wastewater project sites
7.	Toolbox briefing	
8.	Machinery inspection	
9.	S.H.E. audit & inspection	
10.	Optical check	HQ
11.	Blood donation	HQ
12.	Breast cancer awareness campaign	HQ

Sustainability Statement

Working Towards Zero Loss Time Injury (LTI)

In FY 2018, the Group achieved 786,896 man hours with zero loss time injury (LTI) through various health and safety measures to provide a healthy and safe workplace to our employees and contractors.

The man hours without LTI target remains at 1 million hours.

	FYE 2016	FYE 2017	FYE 2018
Achieved man hours without LTI (hours)	10,182,880	189,185	786,896

In FYE 2017, our man hours with zero LTI has been reset in November 2017 due to an incident which occurred at our Kuala Terengganu Utara project site where the finger of our sub-contractor's employee was hurt by a bar-bending machine. The safety team and management has reviewed the investigation results and affirmative actions taken to ensure that the incident does not recur.

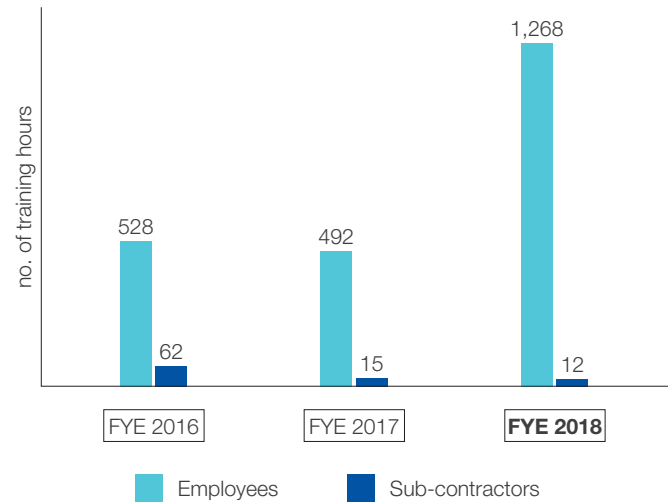
Between FYE 2016 – 2018, no work-related employee and contractor fatalities cases were reported.

Safety & Health Training

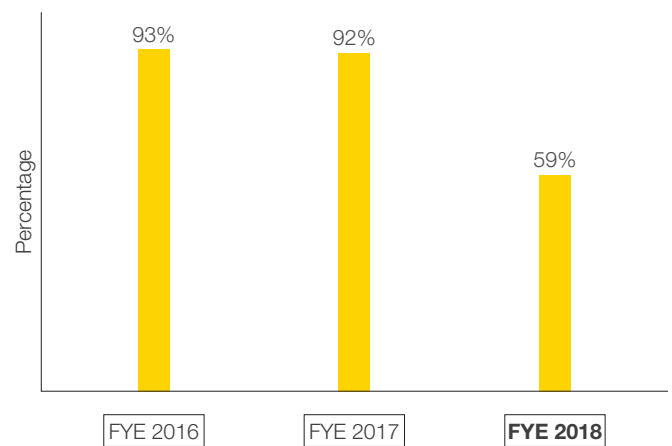
Having comprehensive safety and health policies and programmes at both offices and project sites are not sufficient to ensure a safe and healthy workplace. We equip our employees and sub-contractors with the latest on safety and health issues and technical knowledge so that they can perform their job safely and efficiently at workplace without injury or fatalities.

To this end, employees and sub-contractors are sent for relevant courses on safety and health regularly. In FYE 2018, 6 employees who are not S.H.E. Committee were also sent to attend safety-related training.

Total safety & health training hours for employees & sub-contractors



Percentage of S.H.E. committee members who attended safety & health related training



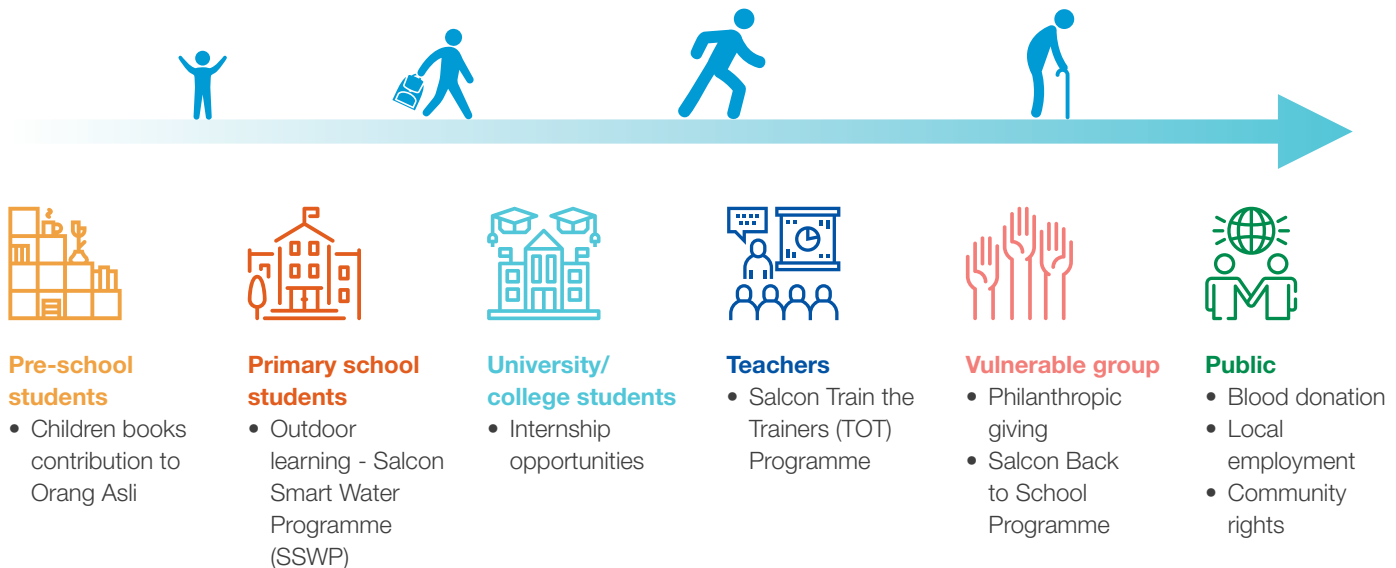
Sustainability Statement

SOCIAL – COMMUNITY

Investing in our community is an integral part of our sustainability strategy in the education of our younger generation and the upliftment of vulnerable groups. Through engagement with our partners, we leverage on resources and skills to drive positive and sustainable change to the communities in which we operate in.

Salcon's alignment to SDGs, material issues and our programmes under Community Section:

SDG logo	Our Alignment to SDGs	Material Issues
SDG 8 Decent Work And Economic Growth 	We support local employment and prioritise the local community at our operation areas in terms of job opportunities to drive the local economy.	<ul style="list-style-type: none"> Local employment
SDG 17 Partnerships For The Goals 	We collaborate with various NGOs who share the same values as us to uplift the communities living standards and quality of life.	<ul style="list-style-type: none"> Community investment & development Community engagement Human rights



Sustainability Statement



Teachers learned the knowledge and skills on how to conduct the river programme through Salcon TOT Programme.

Children Books Contribution to Orang Asli

Good quality education and knowledge will help to improve living quality and inspire creativity. In order to cultivate the habit of reading among Orang Asli (indigenous) children, we collaborated with THE PEOPLE GIVING, a non-profit organization to collect non-syllabus children books from our employees and donated to the children of the Orang Asli community.

Outdoor Learning - Salcon Smart Water Programme

Salcon Smart Water Programme (SSWP) is our flagship community programme to raise awareness on water conservation through a hands-on education approach. This regional award-winning programme, which started since 2010, reflects our commitment in bridging the future generation.

The SSWP is a long-term collaboration with non-government organization, Water Watch Penang (WWP) and is conducted bi-monthly for primary and secondary school students. Through the programme, students learn to conduct physical, chemical and biological experiment on river according to our customized syllabus. We measure the effectiveness of the programme through a pre and post survey on the knowledge improvement of the students.

SSWP's achievements since its implementation:

- Number of students benefited: 2,712 students
- Participants recommendation rate: 100%
- Reached out: 64 schools & 4 orphanage homes

- Media value generated: RM 683,704.90
- Knowledge improvement: 10.65% (based on FYE2018 surveys)
- Awards won:
 - o Asia-Pacific Enterprises Leadership Awards - Honorable Mention Award (Educational Service Award category)
 - o Asia Responsible Entrepreneurship Awards - Green Leadership Award

HIGHLIGHTS OF THE SALCON TOT PROGRAMME



Number of teachers trained
160 teachers



Number of schools which conducted own programme
14 schools



Number of programme conducted by schools
32 programmes

Internship Opportunities

Internship opportunities provide a platform for colleges or universities students to develop and refine skills so that they can make social-economic contribution in the corporate world after graduation. As such, we collaborate with tertiary education institutions to offer internship opportunities. One such collaboration is with the Tunku Abdul Rahman University College's i-Star Internship Programme.

Through internship opportunities, students gain valuable work experience and explore their career path. In FYE 2018, we have recruited 4 students as interns.

Sustainability Statement



Salcon Back to School Programme by Salcon volunteers for Pusat Jagaan Cahaya Kasih Bestari orphans.

Philanthropic Giving

Salcon is committed to be a caring corporate citizen which tends to the needs of the community. We lend a helping hand to those in financial need to ease their burden and set an example to our employees for being compassionate and kind.

Guided by our Sponsorship & Donation Policy, we provide philanthropic giving to orphanage homes, old folks homes and disabled people homes. In FYE 2018, we have donated RM72,900 to 11 charity homes.

In Vietnam, our project office achieved their yearly commitment in philanthropic giving through support of a cancer research programme - Terry Fox Run Fundraising Programme as well as in-kind support to poor families in Binh Thang Ward.

Salcon Back to School Programme

In FYE 2018, we made meaningful school opening preparation to orphans from Pusat Jagaan Cahaya Kasih Bestari through the annual Salcon Back to School Programme.

Employees not only contributed financially together with the Company for the programme, some also volunteered to bring the orphans for a half-day outing to the hypermarket to purchase their school uniforms, shoes, stationeries and activity books.

In FYE 2018, we provided 4 volunteering opportunities to our employees which are:

1. Salcon Mangrove Tree Planting Programme
2. Salcon back to School Programme
3. Visit to old folks home Pusat Penjagaan Al Fikrah Sungai Sikamat, Kajang
4. Gotong-royong (cleaning programme) with Sekolah Kebangsaan Dusun Nanding, Hulu Langat

Employee Volunteering

Organizing programmes which involve employee volunteering such as the Salcon Back to School Programme is in line with the Salcon's sustainability agenda as we believe active employee volunteerism will generate win-win outcome for both Company and the individual.

We encourage employee volunteering as a part of our employees' self-development and improvement through selfless contribution to the community. Through employee volunteering, employees will gain a sense of achievement on a personal and collective level, as well as have a greater understanding of the issues surrounding our community.

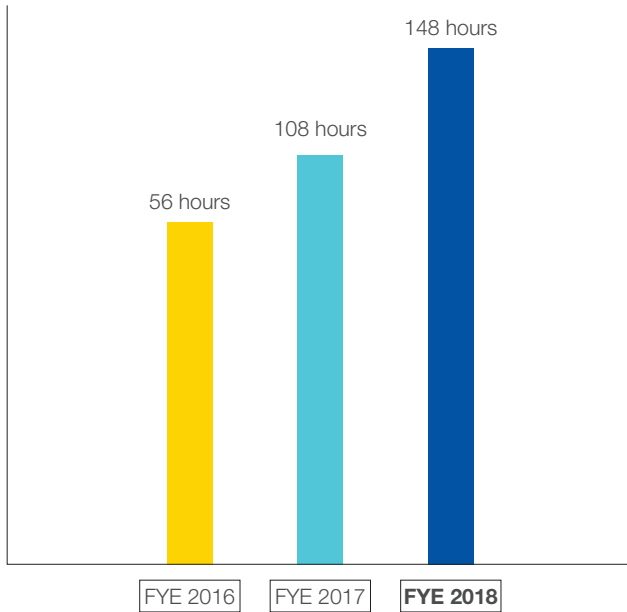
From the Group's perspective, employee volunteering is a relationship that everyone benefits from. We are able to provide support to a good cause and the Company is able to enhance its corporate image.

Salcon Blood Donation Drive

In conjunction with the Salcon Safety & Health Campaign Month, we collaborated with the National Blood Bank to organize our 9th annual blood donation drive. We reached out to employees, college students nearby and the Subang Jaya community for this campaign and successfully collected 77 pints of blood, translating into 231 lives saved. This is because for each unit one donates (about 1 pint), it can be divided into the three primary components — red blood cells, plasma, and platelets — saving up to three lives.

Sustainability Statement

Employee volunteer hours



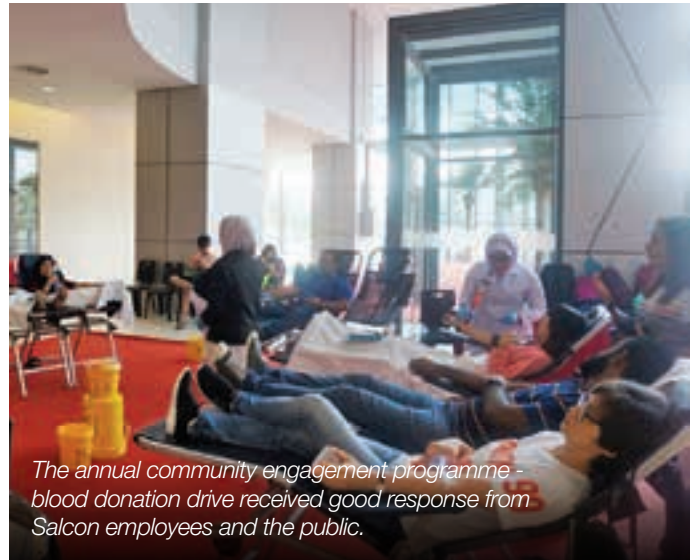
Local Employment

Salcon's commitment to supporting local employment reflects our commitment to SDG 8: Decent Work and Economic Growth where we prioritize job opportunities to the local community to drive the local economy. This commitment is stated in the Group's Recruitment Policy and we see this as a win-win strategy for both the Company and community. The community enjoys more job opportunities and better economic standards whilst the Company saves cost on imported talent.

Community Rights

As a project developer and contractor, it is our responsibility to ensure that the community has the rights to raise any issues or concerns related to our projects. The project manager of each project site is responsible for engaging and communicating with the local community to ensure we do not create any disruption or inconvenience to the residents.

Various channels are provided for the community to report on any wrongdoing in relation to the project or lodge any complaint through our grievance mechanism procedures. The public complaint form is available at project sites in English & Bahasa Malaysia. There were no cases of human rights violation in FY 2018.



Conclusion

A sustainable financial performance balanced with good EES performance will generate long term values for our stakeholders, the environment and the community. We aim to achieve this by integrating sustainable best practices, promoting sound environmental and social practices, encouraging transparency and accountability, and contributing to positive development impacts throughout our business operations.