Corporate Governance Overview Statement

The Board of Directors ("the Board") of Salcon Berhad ("Salcon" or "the Company") presents this statement, to provide all stakeholders, with an overview of the Corporate Governance ("CG") practices of the Company for the financial year 2018. This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

Commitment From the Board

The Board recognizes the importance of maintaining a high standard of CG practices within Salcon and its subsidiaries ("Group"). Good CG practice is essential to sustain the Group in the long-run, and the Board sees that as an integral part of the Group's business strategy. By setting up a correct governance framework and parameters, the Board believes that a culture of integrity, transparency and accountability will automatically flow-throughout the Group. Besides, sound CG practices are primary to the smooth, effective and transparent operations of the Company; enabling the Company to attract investments, protect and enhance shareholders' value.

The Board will continuously review and evaluate the Group's CG practices and procedures, with a view to adopt and implement the best practices.

Compliance with MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the financial year 2018 except:

- Practice 7.2 (The Board discloses on a named basis the top five (5) senior management's remuneration in band of RM50,000)
- Practice 12.3 (Companies with large number of shareholders should leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meeting)

The Corporate Governance Report provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the financial year 2018. The report is available at www.salcon.com.my.

Principle A: Board Leadership and Effectiveness

Board Responsibilities

The primary role of the Board is to protect and enhance shareholders' value. It sets the overall strategy for the Group and supervises the execution by the Management.

In order to create and promote clear understanding of the functions of the Board and Management; a Board Charter, which clearly sets out these functions, has been developed.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, which reviews and make recommendations to the Board on specific areas. There are currently five Board Committees appointed by the Board, namely:

- Audit Committee ("AC");
- Nomination Committee ("NC");
- Remuneration Committee ("RC");
- Risk Management Committee ("RMC") ; and
- Sustainability Committee ("SC")

Corporate Governance Overview Statement

The roles and responsibilities of the Board and Management are adequately established and communicated to ensure accountability. Management is responsible for the day-to-day operations of the Group's activities and for achieving corporate objectives and goals, set by the Board.

Although specific powers had been delegated to the Board Committees, the Board keeps itself abreast with relevant key issues and decisions via presentations of Board Committee's reports and minutes of meetings.

Additionally, the responsibilities of the Executive Directors ("EDs") are also set out in the Board Charter. The Board will periodically review the Board Charter and Terms of References ("TOR") for the respective Board Committees and make necessary amendments to ensure consistency with the Board objectives, and relevant rules and regulations of the various authorities.

The latest review was conducted in 2018 and the amended version of Board Charter and TOR for the respective Board Committees are available on the Company's website, www.salcon.com.my.

There is a clear division of responsibilities to ensure balance of authority and power, as the roles of the Chairman and the ED are distinct and separate. The Chairman of the Group, Dato' Seri (Dr.) Goh Eng Toon, is a Non-Independent Non-Executive Director ("NINED") who leads the Board with dedication and focuses on the compliance and good corporate governance practices. The duties and responsibilities of the Board, Chairman and ED are clearly established and set out in the Board Charter.

The Board is supported by two suitably qualified and competent Company Secretaries. All members of the Board have access to the advice and services of the Company Secretaries on all secretarial matters relating to the Group, to assist them in exercising their duties. The Board is satisfied with the performances and supports rendered by the Company Secretaries, in assisting the Board, in the discharge of their duties. The Board is regularly updated and kept informed of the requirements issued by regulatory authorities, including the latest developments in the legislations and regulatory framework affecting the Group.

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") throughout the Group since year 2010. The COEC applies to all employees including Directors, and adheres to a high ethical standard of integrity, objectivity, confidentiality and competency; while complying with all applicable laws and regulations that govern the Group's businesses and activities. The COEC emphasizes ethical conduct in all aspects of the Groups' activities including conflicts of interests, privacy and confidentiality of information. The COEC also sets out prohibited activities or misconducts; such as acceptance of gifts, corruptions, dishonest behaviour, sexual harassment, etc.

The COEC is available on the Company's website, www.salcon.com.my.

A whistle-blowing reporting procedure, which encourages transparency and accountability within the Group, is also in place.

The Whistle-blowing Policy ("WBP") established in 2012, provides an avenue for all employees, vendors, contractors, suppliers, consultants, customers and stakeholders to raise their concerns about any improper conduct within the Group, without fear of retaliation and to offer protection for the individual who report such allegations. Any employee or stakeholder, who is aware that any improper conduct has been, is being, or is likely to be committed; is encouraged to report directly to the AC Chairman, via email to chansf8@yahoo.com.

For financial year 2018, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

The WBP can be viewed on the Company's website, www.salcon.com.my.

Corporate Governance Overview Statement

Board Composition

During the financial year under review, the Board comprises three (3) Independent Directors and three (3) Non-Independent Directors. Thus, the Board's composition has fully complied with the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") for Independent Non-Executive Directors ("INEDs") to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCCG Practice 4.1; whereby at least half of the Board's composition comprises Independent Directors.

The selection and appointment of a new member of the Board and Board Committees are made only with the recommendations from the NC.

In evaluating potential candidates for the appointment to the Board, the NC will identify the set of the criteria of the candidates, based on their characters, experiences, skills, competencies, knowledge, potential contribution and time commitment; regardless of gender or age.

The changes made to the Board composition during the financial year 2018 are as follows: -

a. Appointment of the following Director to the Board, namely: -
    i. Dato' Rosli bin Mohamed Nor – Independent Non-Executive Director on 2 July 2018.

b. Resignation of the following Directors from the Board, namely: -
    i. Dato' Dr. Freezailah bin Che Yeom – Independent Non-Executive Director on 5 April 2018.
    ii. Dato' Seri (Dr.) Goh Eng Toon (Chairman of the Board) - Non-Independent Non-Executive Director on 31 December 2018.

The Board is satisfied with the Board's composition, as the Directors are professionals in the fields of construction and engineering, finance and accounting, legal, insurance, hotel management and property investment.

The Board in recognizing the benefits of diversity in the Board spectrum, adopted the Board Diversity Policy (which includes the gender policy), which is available for review on the Company's website. The policy also states that the Company targets to identify a suitable female candidate for appointment as director by 2019.

A formal evaluation, in the form of self and peer evaluation, are conducted each year by the NC, to assess the effectiveness of the Board, its Committees and individual Directors. The NC conducted year 2018 performance evaluations, with the assistance from the internal secretarial team, on 28 February 2019. The areas reviewed covered; Board composition and skill matrix of respective Directors, Board's responsibilities, independence of the Independent Directors, integrity in dealing with potential conflict of interest situation; and performances of the Company's Senior Management. The NC also conducted evaluation on the Directors for re-election on the forthcoming Annual General Meeting ("AGM"). Subsequent to the reviews/evaluations, the result will be summarized and recommended to the Board for review and notation.

Based on the results of assessment, the Board is satisfied with the performances of the Board, Board Committees, individual Directors and Senior Management; including the level of independence of all INEDs and their abilities to act in the best interests of the Company, during deliberations at the Board and Board Committee meetings.

Remuneration

The Board via the RC, establishes and implements the Remuneration Policy for Directors and Senior Management. The RC is responsible to review the policy from time to time; to ascertain that the policy remains competitive and is in alignment or parallel with market practices. Thus, the Company will be able to attract, retain and motivate the Directors and Senior Management.

Detailed information on the Directors' remuneration packages for financial year 2018 on a named basis, are disclosed under "Additional Compliance Information" under page 85-88 of this Annual Report.

Corporate Governance Overview Statement

Principle B: Effective Audit and Risk Management

Audit Committee

The AC takes on the role of assisting the Board in discharging its fiduciary duties, the responsibility of overseeing the financial reporting process and ensuring that the results are fairly presented in the financial statements.

The AC has complied with the Para 15.09 and Para 15.10 of the Listing Requirements. Besides, the Board also adopted Practice 8.1 of the MCCG which requires that the positions of AC Chairman and the Board's Chairman to be held by two different individuals.

The Audit Committee Report details its composition, Internal Audit functions and activities during the year 2018, are set out on page 77 of this Annual Report.

The effectiveness, performance and independence of the External Auditors ("EA") i.e. Messrs. KPMG PLT ("KPMG"), is reviewed annually by the AC. KPMG has provided written assurance and confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement for the financial year ended 2018.

The AC has on 28 February 2019, reviewed the suitability and independence of KPMG, and is satisfied with the performances and independence of KPMG. Thus, the AC has recommended to the Board to table the re-appointment of KPMG, as EA for the following financial year at the 16th Annual General Meeting ("AGM") for shareholders'approval. During the financial year, KPMG has attended two (2) out of five (5) AC meetings; to discuss their audit plan, findings and financial statements. KPMG further highlighted applicable matters that required the AC's attentions, inclusive of remedial actions to be undertaken within an appropriate time frame.

During financial year 2018, the EA met the AC twice without the presence of the Executive Director and employee, to provide objective feedback on any issues of concern and pertinent matters.

The AC has considered the provision of non-audit services by the EA, and concluded that these services did not compromise their independence and objectivity, as the amount of the non-audit fees paid as compared to the total audit fees, were not significant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the financial year 2018 was RM599,000 and RM35,000 respectively.

The AC has further reviewed applicable related party transactions within the Group in order to ascertain that transactions were at arms-length, not detrimental to the interest of the minority shareholders and were in the best interests to the Company.

Risk Management and Internal Control

The Board is responsible to establish a sound system of internal controls and risk management framework. The Board, as assisted by the RMC and Risk Management Working Group ("RMWG"); identified and evaluated applicable potential risks, determined the Group's level of risk tolerance and applicable actions to mitigate the identified risks, in order to safeguard the Group's shareholders' investments and assets.

The established framework details processes, procedures and controls for financial, operation, compliances and risk management; in achieving the business objectives.

Details of the risk management framework, internal control system and activities carried out, are set out in the Statement of Risk Management & Internal Control ("SORMIC") from page 80 - 84 of this Annual Report.

Corporate Governance Overview Statement

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Shareholders

Communication with Stakeholders

The Company values the importance of timely and accurate communication with shareholders and stakeholders. Hence, the Board reviews and approves all important announcements prior to public release inclusive of annual and quarterly reports; via Bursa Link or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). The Company had set up an alternate channel via Facebook to reach out to a broader range of public, shareholders and interested parties.

Conduct of General Meetings

The AGM is the principal forum for dialogue with shareholders, while providing an opportunity to enquire and seek clarification on the operations and financial performance of the Group with the Board members.

The Chairman of the Board chaired the 15th AGM and Extraordinary General Meeting ("EGM") held on 27 June 2018. The Chairman encouraged shareholders to raise questions pertaining to the Company's financial statements and proposed resolutions during the AGM, before putting the resolutions to vote. All five (5) Directors, along with the Chief Operating Officer, Chief Financial Officer and EA were present to respond to the shareholders' queries, where applicable and necessary. Further, in line with good corporate governance practices, at least twenty-eight (28) days' notice has been given to the shareholders prior to the meeting.

This Corporate Governance Overview Statement was approved by the Board on 28 February 2019.

Audit Committee Report

The Audit Committee ("AC") presents its report that provides insights into the manner in which the AC discharges its duties for the Group in year 2018.

Composition and Attendance

The AC comprises three (3) members, who are all Non-Executive Directors ("NEDs"). This composition meets the requirements as stated in Paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

The AC members and their attendance at meetings during the year are indicated as below: -

	Name	Designation	Attendance
1	Chan Seng Fatt (Chairman)	Independent Non-Executive Director	5/5
2	Dato' Seri (Dr.) Goh Eng Toon (Resigned on 31 December 2018)	Non-Independent Non-Executive Director	5/5
3	Dato' Rosli bin Mohamed Nor (Appointed on 2 July 2018)	Independent Non-Executive Director	2/2
4	Dato' Dr. Freezailah bin Che Yeom (Resigned on 5 April 2018)	Independent Non-Executive Director	2/2
5	Dato' Choong Moh Kheng (Appointed on 5 April 2018, resigned on 2 July 2018 and, re-appointed on 31 December 2018)	Independent Non-Executive Director	1/1

The AC Chairman, Mr. Chan Seng Fatt, is a Chartered Accountant of the Malaysian Institute of Accountant. Thus, the Company has complied with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

The Board of Directors ("BOD") via the Nomination Committee, reviews the composition of the AC, assesses the members' performances and effectiveness of the AC via annual evaluation. The BOD is satisfied that the AC members had discharged their duties and responsibilities in accordance with the AC's Terms of Reference ("TOR") and the AC has supported the BOD in ensuring the Company upholds appropriate Corporate Governance ("CG") standards.

The TOR of AC has been reviewed in year 2018 and is available for reference at the Company's website, www.salcon.com.my.

Meetings

The AC held five (5) meetings in FY 2018. The Chief Operating Officer, Chief Financial Officer ("CFO") and Head of Internal Audit were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group's activities. The External Auditors ("EA"), Messrs. KPMG PLT, were invited to participate in the meetings, where necessary.

The meetings were appropriately structured through agendas. The meeting's materials were distributed in advance to members, at least five (5) business days prior to the meetings.

Audit Committee Report

One of the AC's responsibilities are to ensure the reliability of the Company's annual/quarterly financial results and the Company's compliances with Malaysian Financial Reporting Standards ("MFRS"). The CFO conducts a briefing/presentation of the annual/quarterly financial statements to the AC for deliberation, and subsequent recommendation to the BOD, for approval.

During the AC meeting held in February 2018, the EA confirmed that they were provided unfettered access to information and enjoyed full cooperation from the Management throughout the course of their audits. The EA were also invited to raise any matters that they considered important, for the AC's attention. The AC had met the EA twice, without the presence of the Company's Executive Directors and employees. During these two (2) meetings, the AC enquired about the Company Management's co-operation with the EA, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

Minutes of each AC meeting were recorded and tabled for confirmation during the next AC meeting, and subsequently presented to the BOD for notation.

Summary of Activities of AC

The AC's activities during the FY ended 31 December 2018 comprised the following:

- On 27 February 2018, the AC reviewed and recommended to the Board the payment of first and final dividend for the FY 2017. The AC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed on the re-appointment.

- On 4 April 2018, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2017, and subsequently recommended them to the BOD for approval.

- On 31 May 2018 and 28 August 2018, the AC reviewed and discussed the IA reports for the group's activities.

- On 29 November 2018, the AC reviewed the Annual Audit Plan for the FY 2018 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc on the financial statements. The recurring non-audit services, covers annual review of the Statement on Risk Management and Internal Control ("SORMIC"). The AC having considered the nature and scope of non-audit works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

  The AC, being satisfied with performance of the EA; recommended to the BOD, the re-appointment of Messrs KPMG PLT, as EA for the FY ending 31 December 2019.

- On Financial Reporting, the AC reviewed the quarterly financial statements during the AC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2017 was conducted on 27 February 2018; and the reviews of the quarterly results of first, second and third quarters for FY 2018, were conducted on 31 May 2018, 28 August 2018 and 29 November 2018 respectively.

- The AC had reviewed the related party transactions within the Group and provided opinion on whether they are in the best interest of the Group, fair and reasonable and not detrimental to the interest of the minority shareholders of the Company and recommended the transactions to the BOD for consideration and approval.

Audit Committee Report

Internal Audit Function

The Group's internal audit function is performed in-house by the Internal Audit & Risk Management Department ("IARMD"), which reports directly to the AC. All internal audit activities for the FY ended 31 December 2018 were conducted by IARMD.

No areas of the internal audit function were outsourced. The total cost incurred by the Group's internal audit function for the year under review was approximately RM589,000. The details pertaining the person responsible and number of resources for the department is available in the CG Report, Practice 10.2.

During the FY under review, the internal audit activities include, inter alia, the following:-

- IARMD conducted audit review activities as per the 2018 Audit Plan which was approved by the AC on 22 November 2017.

- IARMD presented applicable Internal Audit ("IA") reports as per the activities conducted, during the scheduled AC meetings, using the following contents:-

  - ➢ The executive summaries of the audit findings indicating the status and progress;
  - ➢ Audit findings, Management responses to IARMD's findings and corrective recommendations;
  - ➢ Follow up on previous years' issues and status of remedial actions taken;
  - ➢ The Key Risk Profile and comparison of risk assessment result for the audited risk factors; and
  - ➢ Reporting to the AC on any material issue / misstatement or major deficiency noted, that posed a high risk to the overall internal control system of the Group.

- The scope of audit engagements in FY 2018 covered the following: -
  - ➢ Compliance to law and regulation;
  - ➢ Compliance with FTSE4Good Bursa Malaysia Index requirements;
  - ➢ Reliability of financial information;
  - ➢ Safeguarding of assets;
  - ➢ Attainment of objectives; and
  - ➢ Efficiency and economy implication

Statement of Risk Management and Internal Control

The Board of Directors of Salcon Berhad ("Salcon" or "the Company") is committed to maintain a sound and effective internal control and risk management system. Each project and department of the Company and its subsidiaries ("the Group") has implemented its own control processes under the leadership of the Executive Members of the Board together with the Chief Operating Officer ("COO"), who are responsible for good business and regulatory governance. This statement outlines the nature and scope of the Group's internal control and risk management in 2018.

Board Responsibilities

The Board acknowledges its responsibility for the Group's internal control and risk management system and reviews its effectiveness, adequacy and robustness. The internal control system covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters.

The Board is aware that this system is designed to manage and mitigate, rather than eliminate, the risks of not adhering to the Group's policies, procedures and preventing in achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system is to provide reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2018, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") based on the internal audits conducted by the in-house Internal Audit and Risk Management Department ("IARMD") during the year. Audit reports comprised of audit findings, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the AC meetings with Minutes duly recorded.

The Risk Management Committee ("RMC') has been established since year 2006 with the purpose of providing risk oversight and ascertaining implementation of the Group's businesses and operations. The Group's Risk Management Framework is outlined in its Integrated Risk Management Policy and Procedures ("IRMPP"). The IRMPP is being revised for general conformity to ISO31000 standard.

Internal controls and risk-related matters which require the Board's attention, were highlighted by the AC and RMC to the Board for its actions and necessary approvals, and decisions made by the AC and RMC were updated to the Board for its actions.

Internal Audit Function

The Company complies with Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") by setting-up an in-house IARMD. IARMD functionally reports to AC/RMC and administratively to COO, providing feedback in managing the key risks and ascertaining the adequacy and integrity of the Group's internal control and risk management system.

The Internal Audit Function reviews key activities of the Group based on an annual audit plan approved by the AC. The plan as prepared by the IARMD, is based on the Company's Corporate Key Risk Register which is inclusive of existing projects of the operating entities, subsidiaries and departments within the Group.

The AC reviews all internal audit reports and the scope of works to be carried out to ensure that the necessary level of assurance; with respect to the adequacy of internal controls and the management of key risks as required by the Board, is achieved. Follow-up reviews on previous audit issues are also carried out to ascertain that appropriate actions are taken to address internal control weaknesses.

Statement of Risk Management and Internal Control

Subsequent to the reviews, the AC shall highlight the pertinent findings to the Board for necessary actions, on a quarterly basis or as appropriate.

Control Processes and Risks

The Group's internal control system comprises the following key processes:

1. International Organisation for Standardization ("ISO") and Occupational Health & Safety Advisory Services ("OHSAS") certifications:

    - Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad, is certified to ISO9001 - Quality Management System ("QMS"):2015 since October 2016 and to ISO14001 - Environmental Management System ("EMS"):2015 since October 2017 at both the corporate office and at project levels.

    - SEB is also certified to OHSAS18001:2007 - Occupational Safety & Health Management System ("OSHMS") since 2008.

    - As required by legislation, the Company has also established Safety and Health Committee to assist in the implementation of applicable inspections and reviews of OSHMS while emphasizing the Group's commitment to ensure and maintain a safe working environment.

    - Under ISO 9001, ISO14001 and OHSAS18001 requirements, internal quality audits are conducted annually by Quality Assurance / Quality Control ("QA/QC") and Safety, Health and Environmental ("S.H.E") department to check, measure, analyze, review and improve on the performances of SEB's certifications; on both the corporate office and applicable projects.

2. Authority and Responsibilities

    - The Board delegates certain duties and responsibilities to various Board Committees through the clearly defined Terms of Reference ("TOR"). The TORs are reviewed as and when necessary and are available at the Company's website, www.salcon.com.my.

    - The authority limit and signatory document is reviewed periodically to reflect the authority and authorization limit of the Management in all aspects of the Group's major business operations and regulatory functions.

3. Monitoring and Reporting

    - Board and Board Committee meetings are scheduled to update the Group's performance regularly. The Group's business plan, execution and financial performance are reviewed and discussed by the Board on quarterly basis. The Minutes of Meeting are duly recorded.

4. Policies and Procedures

    - The Group has set up and documented internal policies, standards and procedures to ensure compliances of internal controls and relevant laws and regulations. Common Group policies such as ISO, OHSAS and Human Resource Policies Procedures ("HRPP") are available on the Company's intranet for easy access and reference by employees.

5. Audit

    - IARMD evaluates compliance of policies and procedures through internal audit reviews. IARMD discharged its responsibilities with the guidance of terms and principles as stated in the Audit Charter and reports its findings to the AC via internal audit reports. Internal audit reports will include audit findings, areas for improvement, audit recommendations, management replies and action plans.

- The surveillance and re-certification audits for ISO9001:2015, ISO14001:2015 and OHSAS18001:2007 are conducted by Bureau Veritas.

- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2018. Nature of non-audit services provided is available within the Corporate Governance Statement in this Annual Report.

6. Risk Management

- The Group has implemented an Enterprise Risk Management ("ERM") framework to manage all relevant risks that can affect the Company's business and operations. The ERM framework is supported by a risk governance structure; comprising of the RMC, the Risk Management Working Group ("RMWG") and IARMD. The governance structure is tasked with the responsibilities and accountabilities for monitoring risk management.

- The RMC is established to provide oversight and assurance concerning the Group's risk profile to the Board.

- The RMWG is established to assist the Board and the RMC to facilitate/update at business units' level on the identification and communication of present or potential critical risks identified. The RMWG are represented by Heads of subsidiaries, divisions and departments.

- The IARMD reports directly to the AC/RMC while providing an independent assessment, and reasonable assurances of the effectiveness, adequacy and reliability; of the Group's risk management processes and internal control system.

- There are established processes and procedures, which are detailed within the IRMPP for risks identifications, assessments, communication and monitoring. IARMD continues to review the risks and the effectiveness of risk mitigation strategies and controls at the corporate, divisional and projects levels including material joint ventures and associates.

- The Group has been using Q-Radar software since 2006, to facilitate the monitoring functions and enhance the reporting and presentation structure and processes. Additionally, risk tolerances are presented via the use of a risk impact and likelihood matrix with reference to established tolerance boundaries so that risks deemed high or low, can be distinguished.

  Additionally, at least once a year, IARMD would tabulate, report and brief the RMC on the performances of the risk management system. The report will generally include the following:

  1) Executive summary of period under review;
  2) Sources of risks with reference to corporate risk scorecard;
  3) Status of strategic objectives and changes to risk parameters;
  4) Risk performances of applicable divisions and subsidiaries;
  5) Top 10 risk factors to the Group;
  6) Areas for improvement

7. Performance Measurement

- Annual employees' performance appraisals are conducted to review the contributions or achievement by employees. The Company would reward the employees based on the result of the appraisals.

- QA/QC department conducts customer satisfaction survey on yearly basis in order to improve for future effectiveness and efficiency.

- Procurement department conducts performance evaluation on suppliers / sub-contractors on their product delivered or services rendered. Qualified suppliers / sub-contractors will be maintained in approved vendor / suppliers list for future work award.

Statement of Risk Management and Internal Control

8. Staff Competency

    - HRPP contain recruitment, retrenchment and termination guidelines. Training and development programs are encouraged by the Company to ensure staffs are kept up-to-date with the necessary competencies to carry out their duties towards achieving the Group's objectives.

9. Conduct of Staffs

    - A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.

    - Salcon Insider Trading Policy ("SITP") has been established to provide guidance and ascertain material non-public information is not misused.

    - Salcon has a Whistle-blowing Policy ("WP") to provide a platform for staffs or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Groups policies, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimization, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Company. The AC has the overall responsibility in overseeing the implementation of the WP for the Group. The WP is available at the Company's website.

      During 2018, the Company did not receive any report or incidences from whistle blowers on any possible or potential misconduct from employees, management, public or stakeholders.

    - Segregation of duties is practised to avoid conflict of interests and to reduce the scope for error and fraud.

10. Insurance

    - Insurance coverage and safeguarding on assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. Annual renewal policy is undertaken by Management to review the coverage based on the current fixed asset register and the respective net book values. The Company seeks professional advice to assist by conducting a risk assessment on the adequacy of the intended coverage.

    - The Company purchases Workman Compensation and Contractors All Risk insurance for each project. The sum insured is in accordance with the requirement stated in the Letter of Award of each project.

Review of This Statement

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide ("RPG") 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

Statement of Risk Management and Internal Control

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the COO and Chief Financial Officer (CFO) that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by AC to the Board for approval on 5 April 2019.

Additional Compliance Information

1. Attendance / Meeting Records of Directors for financial year ended 2018

#	Name	Designation	Number of meetings attended					
			BOD	AC	RMC	NC	RC	SC
1	Dato' Seri (Dr.) Goh Eng Toon (Resigned as Director on 31 December 2018)	Non-Independent Non-Executive Director/Chairman	6/6	5/5	N/A	4/4	1/1	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	6/6	N/A	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	6/6	N/A	0/1	N/A	N/A	1/1
4	Dato' Dr. Freezailah bin Che Yeom (Resigned as Director on 5 April 2018)	Independent Non-Executive Director	2/2	2/2	N/A	2/2	1/1	1/1
5	Dato' Choong Moh Kheng (Appointed as the member of AC on 5 April 2018, resigned on 2 July 2018 and, re-appointed on 31 December 2018)	Independent Non-Executive Director	6/6	1/1	N/A	4/4	1/1	N/A
6	Dato' Rosli bin Mohamed Nor (Appointed as Director, member of AC and Chairman of SC on 2 July 2018; appointed as member of NC and RC on 31 December 2018)	Independent Non-Executive Director	3/3	2/2	N/A	N/A	N/A	N/A
7	Chan Seng Fatt (Appointed as the Chairman of NC on 5 April 2018; re-designated from member to Chairman of RC on 31 December 2018)	Independent Non-Executive Director	6/6	5/5	1/1	2/2	N/A	N/A

Note:
BOD - Board of Directors
AC - Audit Committee
RMC - Risk Management Committee
NC - Nomination Committee
RC - Remuneration Committee
SC – Sustainability Committee
N/A – Not Applicable

2. Training Programs Attended by Directors for financial year ended 2018

	Training	Date
Dato' Seri (Dr.) Goh Eng Toon	Common Breaches of Listing Requirements with Case Studies	28-Aug-18
	Provision of Financial Assistance and Related Party Transaction	29-Nov-18
Tan Sri Dato' Tee Tiam Lee	Common Breaches of Listing Requirements with Case Studies	28-Aug-18
	Provision of Financial Assistance and Related Party Transaction	29-Nov-18
Dato' Leong Kok Wah	MCCG Compliance Expectations, Better Reporting Integrity, Transparency & Accountability	19-Jul-18
	Common Breaches of Listing Requirements with Case Studies	28-Aug-18
	Provision of Financial Assistance and Related Party Transaction	29-Nov-18
Dato' Rosli Bin Mohamed Nor	Intensive Bank Analysis	12 to 14 Feb 2018
	Hedging with Futures and Options	27-Feb-18
	Islamic Finance for Board of Directors	11 to 12 July 2018
Dato' Choong Moh Kheng	Common Breaches of Listing Requirements with Case Studies	28-Aug-18
	Provision of Financial Assistance and Related Party Transaction	29-Nov-18

Additional Compliance Information

	Training	Date
Mr. Chan Seng Fatt	Briefing and update on amendments to the Main Market Listing Requirements relating to : i. The Companies Act 2016 and Others. ii. Corporate Governance Requirements. iii. Post Listing Disclosure Obligations for Mineral, Oil and Gas Listed Issuers. iv. Disclosure Obligations of Special Purpose Acquisition Companies. v. Codification of certain F139 Disclosure Requirements Consequential Amendments relating to certain definitions - "associate", "partner" and "person connected".	28-Feb-18
	Briefing and update on amendments to the Main Market Listing Requirements in relation to Collective Investment Scheme and Business Trust. Launch of BursaSustain.	25-May-18
	Common Breaches of Listing Requirements with Case Studies	28-Aug-18
	Briefing and update on latest amendments to the Main Market Listing Requirements in relation to Compliance with Paragraph/Rule 9.21 of the Main/ACE Market Listing Requirements.	29-Aug-18
	Briefing and update on Bursa's guidance on Corporate Website for Listed Issuers.	28-Nov-18
	Provision of Financial Assistance and Related Party Transaction	29-Nov-18

The Directors' Remuneration Packages for the Company and the Group for the financial year ended 2018

Directors' remuneration	@ Dato' Seri (Dr.) Goh Eng Toon RM	# Tan Sri Dato' Tee Tiam Lee RM	# Dato' Leong Kok Wah RM	@ Dato' Dr. Freezailah bin Che Yeom RM	@ Dato' Choong Moh Kheng RM	@ Dato' Rosli Bin Mohamed Nor RM	@ Chan Seng Fatt RM
Salary	-	953,880.00	749,484.00	-	-	-	-
Bonus	-	154,350.00	121,276.00	-	-	-	-
Fees	100,000.00	-	-	18,219.18	70,000.00	35,095.89	70,000.00
Meeting allowances	8,500.00	-	-	2,500.00	3,500.00	2,500.00	5,500.00
Benefits-In-Kind	-	124,781.52	124,390.74	-	-	-	-
Statutory Contribution	-	132,990.00	104,493.00	-	-	-	-
	108,500.00	**1,366,001.52**	**1,099,643.74**	**20,719.18**	**73,500.00**	**37,595.89**	**75,500.00**

@ - Received from the Company
# - Received from the Group

Additional Compliance Information

Status of Utilisation of Proceeds

Proposed Disposals of the Entire Equity Interests Held in the following: -

i) Salcon Darco Environmental Pte Ltd
ii) Salcon Jiangsu (HK) Limited
iii) Salcon Fujian (HK) Limited
iv) Salcon Zhejiang (HK) Limited
v) Salcon Linyi (HK) Limited
vi) Salcon Shandong (HK) Limited

Salcon had on 12th September 2013 entered into the following agreements:

a) conditional sale and purchase agreement between Salcon and Beijing Enterprises Water Group Limited ("**BEWG**") for the proposed disposals by Salcon of the entire equity interests held in Salcon Darco Environmental Pte Ltd and Salcon Jiangsu (HK) Limited to BEWG ("SPA-A"); and

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

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

The Company had obtained shareholders' approval pertaining to the above Proposed Disposals at the Extraordinary General Meeting ("EGM") held on 27 November 2013.

The Proposed Disposals of the entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited pursuant to the SPA-A were deemed completed on 23 December 2013. The Company and Salcon Water had on 25 April 2016 mutually agreed with BEWG to proceed with the completion of the proposed disposals of the entire issued and paid-up share capital of Salcon Fujian, Salcon Zhejiang and Salcon Shandong, in accordance with SPA-B. The Company and Salcon Water had also on even date mutually agreed with BEWG to terminate the proposed disposal of Salcon Linyi.

The status of the utilisation of the proceeds as at 1 April 2019 arising from the disposals in respect of SPA-A is as follows:

Purpose	Proposed Utilisation RM'000	Utilised RM'000	Unutilised/ (Over) RM'000
Future investments	230,000	(151,154)	78,846
Repayment of borrowings	97,540	(97,540)	-
Distribution to shareholders	30,000	(40,556)	(10,556)
Working capital	10,397	(10,397)	-
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	(64)
Total	**369,374**	**(301,148)**	**68,226**

Additional Compliance Information

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2018.

Audit and Non-Audit Fee

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for the financial year ended 31 December 2018 are as follows:

	Company (RM)	Group (RM)
Audit Fees	175,000	599,000
Non-Audit Fees	35,000	35,000
Total Fees	210,000	634,000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2018, the Group has:

- ensured compliance with applicable accounting standards enforced in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act 2016. In addition, the Board is responsible for the proper safeguarding of the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.

FINANCIAL STATEMENTS

Directors' Report

for the year ended 31 December 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	2,116	(24,651)
Non-controlling interests	(6,509)	-
	(4,393)	(24,651)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Company and recommended by the Directors were as follows:

i) In respect of the financial year ended 31 December 2017 as reported in the Directors' Report of that year:

- A first and final single tier dividend of 1.0 sen per ordinary share totaling RM6,731,000 declared on 27 February 2018 and paid on 19 July 2018.

ii) In respect of the financial year ended 31 December 2018:

- A first and final dividend comprising a share 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 was recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Directors' Report

for the year ended 31 December 2018

Directors of the Company

Directors who served during the financial year until the date of this report are:

Tan Sri Abdul Rashid bin Abdul Manaf (appointed on 2 January 2019)
Dato' Seri (Dr.) Goh Eng Toon (resigned on 31 December 2018)
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Dr. Freezailah bin Che Yeom (resigned on 5 April 2018)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor (appointed on 2 July 2018)
Chan Seng Fatt

Directors of the Subsidiaries

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Ooi Cheng Swee @ Wee Kwee Swee
Jamiluddin Amini Bin Sulaiman
Law Woo Hock
Lee Thim Loy
Low Ah Chye @ Low Beng Peow
Vergis Mathews a/l V V Mathew
Thomas Alexander Sjøberg
Liew Swee Choong
Tan Peng Kok
Cheok Yeow Kwang @ Chok Ah Soi
Lee Thiam Lai
Ong Aun Kung
Png Chiew Chuan
Tan Ban Seng
Dato' Ding Pei Chai
Soh Yoke Yan
See Che Chi
Chuah Tse Leong
Teoh Hooi Fang
Dato' Ngiam Foon
Dato' Mohamad Taufik Bin Haji Omar
Motoki Kinoshita
Sajidharan Anantakrishnan
Liam Trevor Tierney (alternate Director of Sajidharan Anantakrishnan)
Ewe Tuan Hai
Lo Nyan Tjing
Sam Minh Tri
Mohd Fikri bin Ismail
Rudy bin Wah Mijan

Directors' Report

for the year ended 31 December 2018

Directors' interests

The interests and deemed interests in the ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2018	**Bought***	**Sold**	**At 31.12.2018**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	40,751,200	10,187,800	-	50,939,000
Dato' Leong Kok Wah	3,800,000	950,000	-	4,750,000
Dato' Choong Moh Kheng	3,166,666	791,666	960,000	2,998,332
Deemed interest				
Tan Sri Dato' Tee Tiam Lee [(1)]	47,796,646	11,949,161	-	59,745,807
Dato' Leong Kok Wah [(2)]	70,732,354	17,683,087	-	88,415,441
Dato' Choong Moh Kheng [(3)]	7,863,888	1,965,972	1,313,600	8,516,260

* Shares allotted via bonus issue of shares.

[(1)] (i) Deemed interested through the shares held by child (Tee Xun Hao) pursuant to Section 59(11)(c) of the Companies Act 2016.
(ii) Deemed interested through shares held in Infra Tropika Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[(2)] (i) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[(3)] Deemed interested through shareholding in Pembinaan Punca Cergas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

None of the other Directors holding office at 31 December 2018 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' Report

for the year ended 31 December 2018

Directors' interests (continued)

Particulars of the Directors' interest in the warrants during the financial year are as follows:

	Number of Warrants 2018/2025			
	At 1.1.2018	Acquired	Exercised/ Disposed	At 31.12.2018
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	-	20,375,600	-	20,375,600
Dato' Leong Kok Wah	-	1,900,000	-	1,900,000
Dato' Choong Moh Kheng	-	1,583,333	1,583,333	-
Deemed interest				
Tan Sri Dato' Tee Tiam Lee [1]	-	23,898,323	-	23,898,323
Dato' Leong Kok Wah [2]	-	35,366,176	-	35,366,176
Dato' Choong Moh Kheng [3]	-	3,931,944	1,431,944	2,500,000

[1] (i) Deemed interested through the warrants held by child (Tee Xun Hao) pursuant to Section 59(11)(c) of the Companies Act 2016.
(ii) Deemed interested through shares held in Infra Tropika Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[2] (i) Deemed interested through the warrants held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

[3] Deemed interested through shares held in Pembinaan Punca Cergas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in Note 30 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of the Warrants 2018/2025.

Issue of shares and debentures

During the financial year, the Company issued 169,419,203 new ordinary shares via a bonus issue on the basis of one (1) bonus share for every four (4) existing shares held on the entitlement date through the utilisation of the share premium account in accordance with Section 618(3) of Companies Act 2016.

Directors' Report

for the year ended 31 December 2018

Issue of shares and debentures (continued)

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

The movements in the treasury shares are disclosed in Note 15 to the financial statements.

Warrants 2018/2025

On 20 July 2018, the Company issued 336,566,643 free warrants on the basis of one (1) warrant for every two (2) existing shares held on the entitlement date.

Each Warrant 2018/2025 entitles the registered holder to subscribe for one (1) new ordinary share of the Company at any time on or after 20 July 2018 to 19 July 2025, at an exercise price of RM0.30 per share. Any Warrants 2018/2025 not exercised during the period will lapse and become void.

The shares arising from the exercise of Warrants 2018/2025 shall rank equally in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, right, allotment and/or distribution that may be declared, made or paid for which the entitlement date is prior to the date of the allotment of the new shares arising from the exercise of Warrants 2018/2025.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the total amount of indemnity insurance coverage provided and the corresponding insurance premium effected for all Directors and other officers of the Company and its subsidiaries, joint ventures and associates are RM10,000,000 and RM18,500 respectively. There were no indemnity given to or insurance effected for auditors of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Directors' Report

for the year ended 31 December 2018

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The significant events during the financial year are disclosed in Note 34 to the financial statements.

Subsequent events

The subsequent events after the end of the financial year are disclosed in Note 35 to the financial statements.

Directors' Report

for the year ended 31 December 2018

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 22 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………
Tan Sri Dato' Tee Tiam Lee
Director

…………………………………………
Dato' Leong Kok Wah
Director

Kuala Lumpur

Date: 5 April 2019

Statements of Financial Position

at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	33,419	61,953	291	517
Intangible assets	4	26,294	21,831	-	-
Investment properties	5	8,201	8,201	-	-
Investments in subsidiaries	6	-	-	87,981	94,088
Investments in associates	7	39,149	42,726	294	294
Investments in joint ventures	8	40,016	49,190	23,500	23,500
Other investments	9	238	540	238	540
Deferred tax assets	10	3,698	3,698	-	-
Total non-current assets		151,015	188,139	112,304	118,939
Trade and other receivables	11	141,852	110,925	318,239	366,678
Contract assets	12	59,328	49,788	-	-
Inventories	13	138,168	142,054	-	-
Current tax assets		2,575	3,651	-	240
Prepayments		1,325	537	14	16
Cash and cash equivalents	14	115,147	133,811	74,955	42,954
Total current assets		458,395	440,766	393,208	409,888
Total assets		609,410	628,905	505,512	528,827
Equity					
Share capital		424,465	424,465	424,465	424,465
Reserves		8,541	10,922	(7,375)	(1,943)
Retained earnings		18,155	22,770	46,108	77,490
Total equity attributable to owners of the Company	15	451,161	458,157	463,198	500,012
Non-controlling interests		21,850	26,971	-	-
Total equity		473,011	485,128	463,198	500,012
Liabilities					
Loans and borrowings	16	7,638	5,741	83	299
Deferred tax liabilities	10	6,943	7,299	-	-
Total non-current liabilities		14,581	13,040	83	299
Trade and other payables	17	79,297	69,601	41,831	28,310
Contract liabilities	12	1,063	196	-	-
Loans and borrowings	16	40,743	60,887	216	206
Current tax liabilities		715	53	184	-
Total current liabilities		121,818	130,737	42,231	28,516
Total liabilities		136,399	143,777	42,314	28,815
Total equity and liabilities		609,410	628,905	505,512	528,827

The notes on pages 106 to 202 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Continuing operations					
Revenue	18	130,221	206,492	818	842
Cost of sales		(102,377)	(186,153)	-	-
Gross profit		27,844	20,339	818	842
Other income		9,241	6,150	2,314	13,905
Distribution expenses		(2,658)	(3,574)	(97)	(76)
Administrative expenses		(46,181)	(63,269)	(9,638)	(20,166)
Other expenses		(488)	(9,611)	(23,632)	(192)
Results from operating activities		(12,242)	(49,965)	(30,235)	(5,687)
Finance income		3,677	3,594	6,070	10,371
Finance costs		(3,865)	(4,034)	(19)	(28)
Operating (loss)/profit		(12,430)	(50,405)	(24,184)	4,656
Share of profit of equity-accounted associates/joint ventures, net of tax		10,868	15,620	-	-
(Loss)/Profit before tax		(1,562)	(34,785)	(24,184)	4,656
Tax expense	20	(2,224)	2,707	(467)	(331)
(Loss)/Profit from continuing operations		(3,786)	(32,078)	(24,651)	4,325
Discontinued operation					
(Loss)/Profit from discontinued operation, net of tax	21	(607)	2,035	-	-
(Loss)/Profit for the year	22	(4,393)	(30,043)	(24,651)	4,325

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive income/(expense), net of tax					
Foreign currency translation differences for foreign operations	23	3,511	(3,899)	-	-
Other comprehensive income/ (expense) for the year, net of tax		3,511	(3,899)	-	-
Total comprehensive (expense)/ income for the year		(882)	(33,942)	(24,651)	4,325
(Loss)/Profit attributable to:					
Owners of the Company		2,116	(23,822)	(24,651)	4,325
Non-controlling interests		(6,509)	(6,221)	-	-
(Loss)/Profit for the year		(4,393)	(30,043)	(24,651)	4,325
Total comprehensive (expense)/income, attributable to:					
Owners of the Company		5,167	(23,482)	(24,651)	4,325
Non-controlling interest		(6,049)	(10,460)	-	-
Total comprehensive (expense)/income for the year		(882)	(33,942)	(24,651)	4,325
Basic earnings/(loss) per ordinary share (sen):	24				
from continuing operations		0.24	(3.88)		
from discontinued operation		0.01	0.36		
		0.25	(3.52)		

The notes on pages 106 to 202 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2018

		Attributable to Owners of the Company								
		Non-distributable					*Distributable*			
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Translation reserve RM'000**	**Capital reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2017		338,847	85,618	(21,498)	12,525	-	68,490	483,982	39,126	523,108
Foreign currency translation differences for foreign operations		-	-	-	340	-	-	340	(4,239)	(3,899)
Total other comprehensive income/(expense) for the year		-	-	-	340	-	-	340	(4,239)	(3,899)
Profit/(Loss) for the year		-	-	-	-	-	(23,822)	(23,822)	(6,221)	(30,043)
Total comprehensive income/ (expense) for the year		-	-	-	340	-	(23,822)	(23,482)	(10,460)	(33,942)
Contributions by and distributions to owners of the Company										
Own shares acquired	15.2	-	-	(2,343)	-	-	-	(2,343)	-	(2,343)
Dividends to owners of the Company	25	-	-	21,898	-	-	(21,898)	-	-	-
Dividends to non-controlling interests		-	-	-	-	-	-	-	(1,369)	(1,369)
Total transactions with owners of the Company		-	-	19,555	-	-	(21,898)	(2,343)	(1,369)	(3,712)
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	(183)	(183)
Acquisition of subsidiaries		-	-	-	-	-	-	-	1,105	1,105
Issuance of shares to non-controlling interest		-	-	-	-	-	-	-	5,118	5,118
Capital reduction in a subsidiary		-	-	-	-	-	-	-	(6,366)	(6,366)
Transfer in accordance with Section 618(2) of the Companies Act 2016		85,618	(85,618)	-	-	-	-	-	-	-
At 31 December 2017		424,465	-	(1,943)	12,865	-	22,770	458,157	26,971	485,128
		Note 15.1	Note 15.1	Note 15.2	Note 15.3	Note 15.4				

Statements of Changes in Equity

for the year ended 31 December 2018

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to Owners of the Company						→		
		← *Non-distributable*				→	*Distributable*			
At 1 January 2018		424,465	-	(1,943)	12,865	-	22,770	458,157	26,971	485,128
Foreign currency translation differences for foreign operations		-	-	-	3,051	-	-	3,051	460	3,511
Total other comprehensive income/(expense) for the year		-	-	-	3,051	-	-	3,051	460	3,511
Profit/(Loss) for the year		-	-	-	-	-	2,116	2,116	(6,509)	(4,393)
Total comprehensive income/ (expense) for the year		-	-	-	3,051	-	2,116	5,167	(6,049)	(882)
Contributions by and distributions to owners of the Company										
Own shares acquired	15.2	-	-	(5,432)	-	-	-	(5,432)	-	(5,432)
Dividends to owners of the Company	25	-	-	-	-	-	(6,731)	(6,731)	-	(6,731)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(1,344)	(1,344)
Total transactions with owners of the Company		-	-	(5,432)	-	-	(6,731)	(12,163)	(1,344)	(13,507)
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	2,158	2,158
Acquisition of subsidiaries		-	-	-	-	-	-	-	114	114
At 31 December 2018		424,465	-	(7,375)	15,916	-	18,155	451,161	21,850	473,011
		Note 15.1	Note 15.1	Note 15.2	Note 15.3	Note 15.4				

Statements of Changes in Equity

for the year ended 31 December 2018

		Attributable to Owners of the Company				
		Non-distributable			Distributable	
	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
Company						
At 1 January 2017		338,847	85,618	(21,498)	95,063	498,030
Profit and total comprehensive income for the year		-	-	-	4,325	4,325
Contributions by and distributions to owners of the Company						
Own shares acquired	15.2	-	-	(2,343)	-	(2,343)
Dividends to owners of the Company	25	-	-	21,898	(21,898)	-
Total transactions with owners of the Company		-	-	19,555	(21,898)	(2,343)
Transfer in accordance with Section 618(2) of the Companies Act 2016		85,618	(85,618)	-	-	-
At 31 December 2017/1 January 2018		424,465	-	(1,943)	77,490	500,012
Loss and total comprehensive expense for the year		-	-	-	(24,651)	(24,651)
Contributions by and distributions to owners of the Company						
Own shares acquired	15.2	-	-	(5,432)	-	(5,432)
Dividends to owners of the Company	25	-	-	-	(6,731)	(6,731)
Total transactions with owners of the Company		-	-	(5,432)	(6,731)	(12,163)
At 31 December 2018		424,465	-	(7,375)	46,108	463,198
		Note 15.1	Note15.1	Note 15.2		

The notes on pages 106 to 202 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/Profit before tax				
- continuing operations	(1,562)	(34,785)	(24,184)	4,656
- discontinued operation	(606)	(813)	-	-
	(2,168)	(35,598)	(24,184)	4,656
Adjustments for:				
Depreciation of property, plant and equipment	4,849	5,458	226	226
Dividend income	-	-	(818)	(842)
Finance costs	3,865	4,034	19	28
Finance income	(3,677)	(3,594)	(6,070)	(10,371)
Gain on disposal of equity interest in subsidiaries	(745)	(8,759)	-	-
Impairment loss on goodwill	-	8,513	-	-
Net fair value loss on other investment	302	135	302	135
Impairment loss on investments in subsidiaries	-	-	6,107	-
Impairment loss on amounts due from subsidiaries	-	-	17,267	-
Net reversal of impairment less on trade receivable	(23)	-	-	-
Reversal of impairment on property, plant and equipment	(1,632)	-	-	-
Loss on disposal of investment properties	-	3	-	-
Loss on disposal of other investments	-	20	-	20
Net (gain)/loss on disposal of property, plant and equipment	(2,170)	335	-	-
Property, plant and equipment written off	198	202	-	-
Share of profit of equity-accounted associates/joint ventures, net of tax	(10,868)	(15,620)	-	-
Unrealised foreign exchange differences	5,411	7,350	1,313	11,799
Operating (loss)/profit before changes in working capital	(6,658)	(37,521)	(5,838)	5,651
Changes in trade and other receivables and prepayments	(41,238)	(15,565)	31,174	(85,732)
Changes in inventories	3,833	(7,861)	-	-
Changes in trade and other payables	14,589	28,088	13,521	(11,129)
Cash (used in)/generated from operations	(29,474)	(32,859)	38,857	(91,210)
Tax paid	(843)	(3,579)	(43)	(221)
Net cash (used in)/from operating activities	(30,317)	(36,438)	38,814	(91,431)

Statements of Cash Flows

for the year ended 31 December 2018

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(511)	(3,144)	-	-
Acquisition of software and trademarks	(3,302)	-	-	-
Acquisition of other investments	-	(1,350)	-	(1,350)
Acquisition of subsidiaries, net of cash acquired	(891)	(9,446)	-	-
Deemed acquisition of an associate, net of cash acquired	-	(450)	-	-
Subscription of shares in a joint venture	-	(500)	-	-
Subscription of preference shares in an associate	-	(16,706)	-	-
Dividend received from:				
- Associate	4,452	4,816	-	-
- Joint ventures	17,500	-	-	-
- Subsidiaries	-	-	818	842
Interest received	3,677	3,594	6,070	10,371
Net cash outflow from disposal of subsidiaries, net of cash and cash equivalents disposed of (Note 21)	(23)	(2,810)	-	-
Proceeds from disposal of property, plant and equipment	26,505	433	-	-
Capital reduction in a subsidiary	-	(6,366)	-	9,549
Proceeds from disposal of other investments	-	655	-	655
Net cash from/(used in) investing activities	47,407	(31,274)	6,888	20,067
Cash flows from financing activities				
Dividends paid to non-controlling interests	(1,344)	(1,369)	-	-
Dividends paid to owners of the Company	(6,731)	-	(6,731)	-
Drawdown from borrowings	6,965	11,389	-	-
Interest paid	(3,865)	(4,034)	(19)	(28)
Issuance of shares to non-controlling interest	-	5,118	-	-
Repayment of finance lease liabilities	(2,489)	(712)	(206)	(196)
Repayment of borrowings	(24,558)	(23,438)	-	-
Repurchase of treasury shares	(5,432)	(2,343)	(5,432)	(2,343)
Uplift of pledged fixed deposit	5	966	-	-
Net cash used in financing activities	(37,449)	(14,423)	(12,388)	(2,567)

Statements of Cash Flows

for the year ended 31 December 2018

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net (decrease)/increase in cash and cash equivalents	(20,359)	(82,135)	33,314	(73,931)
Cash and cash equivalents at beginning of the year	128,973	214,748	42,954	113,244
Effect of exchange rate fluctuations on cash held	5,073	(3,640)	(1,313)	3,641
Cash and cash equivalents at end of the year	113,687	128,973	74,955	42,954

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Deposits placed with licensed banks	14	59,475	85,338	53,332	26,469
Cash and bank balances	14	55,672	48,473	21,623	16,485
		115,147	133,811	74,955	42,954
Bank overdrafts	16	(1,430)	(4,803)	-	-
Pledged deposits	14	(30)	(35)	-	-
		113,687	128,973	74,955	42,954

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM2,409,000 (2017: RM4,872,000), of which RM1,898,000 (2017: RM1,728,000) were acquired by means of finance leases.

The notes on pages 106 to 202 are an integral part of these financial statements.

Notes to the Financial Statements

Salcon Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

15th Floor, Menara Summit
Persiaran Kewajipan USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2018 do not include other entities.

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 5 April 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation**
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement**
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108*, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, amendments and interpretation:

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for those marked with "*" which are not applicable to the Group.

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

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

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 16 (continued)

Cumulative Effect Transition Approach

The Group has assessed the estimated impact that the initial application of MFRS 16 will have on its consolidated financial statements as at 1 January 2019 as below:

Group	As reported at 31 December 2018 RM'000	Estimated adjustments due to adoption of MFRS 16 RM'000	Estimated adjusted opening balance at 1 January 2019 RM'000
Property, plant and equipment	33,419	(9,532)	23,887
Prepaid lease payments	-	-	-
Right-of-use assets	-	9,948	9,948
Finance lease liabilities	6,874	(6,874)	-
Lease liabilities	-	7,309	7,309
Retained earnings	18,155	(19)	18,136

Company	As reported at 31 December 2018 RM'000	Estimated adjustments due to adoption of MFRS 16 RM'000	Estimated adjusted opening balance at 1 January 2019 RM'000
Property, plant and equipment	291	(291)	-
Prepaid lease payments	-	-	-
Right-of-use assets	-	291	291
Finance lease liabilities	299	(299)	-
Lease liabilities	-	299	299
Retained earnings	46,108	-	46,108

The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(p)(i) – revenue from construction contracts
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 5 - valuation of investment properties
- Note 10 - recognition of deferred tax assets on unutilised tax losses

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 36.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Groups' interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Previous financial year

Financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative was recognised separately from the host contract and accounted for as a derivative if, and only if, it was not closely related to the economic characteristics and risks of the host contract and the host contract was not recognised as fair value through profit or loss. The host contract, in the event an embedded derivative was recognised separately, was accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Current financial year (continued)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(l)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was designated as an effective hedging instrument) or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Previous financial year

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, were subject to review for impairment (see Note 2(l)(i)).

Financial liabilities

Current financial year

The category of financial liabilities at initial recognition are as follows:

Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities (continued)

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and

- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in the profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• leasehold land	99 years
• buildings	30 - 50 years
• plant and machinery	5 - 50 years
• motor vehicles	5 - 10 years
• furniture and fittings	5 - 12 years
• office equipment	5 - 12 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Intangible assets and leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as an investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development (continued)

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised include the costs of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Land use rights

Land use rights that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(v) Amortisation

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Amortisation of land use right are recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful life is as follows:

- land use rights 67 ½ years
- software and trademark 8 years

The useful life is reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for property development consists of reclaimed land, freehold land, leasehold land and land use rights on which development work has not been commenced along with related costs on activities that are necessary to prepare the land for its intended use. Land held for property development is transferred to properties under development or work-in-progress when development activities have commenced.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(h) Inventories (continued)

Development costs comprises all costs directly attributable to property development activities or that can be allocated on a reasonable basis to these activities. Upon completion of development, unsold completed development properties are transferred to completed properties held for sale.

The cost of completed properties held for sale consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint ventures ceases once classified as held for sale.

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(l) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates and joint venture were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets, investment properties measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(m) Equity instruments

Instruments are classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the considerations paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(m) Equity instruments (continued)

(iii) Repurchase, disposal and reissue of share capital (treasury shares) (continued)

When treasury shares are sold or reissued subsequently, the difference between the sales considerations net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Distribution of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(n) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Defined benefit plans (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(o) Provisions (continued)

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from sub-leased property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(r) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(t) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Operation Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements

3. Property, plant and equipment

Group Cost	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2017	733	4,406	50,608	29,896	4,067	6,107	95,817
Acquisition through business combinations	-	-	-	-	2,038	-	2,038
Additions	-	-	22	410	2,518	1,922	4,872
Transfer	-	-	-	3,451	-	(3,451)	-
Disposals	-	-	(59)	(2,508)	-	-	(2,567)
Derecognition through disposal of subsidiaries	-	-	-	-	(1,685)	-	(1,685)
Write-off	-	-	(205)	(83)	(160)	(37)	(485)
Effect of movements in exchange rates	-	-	(402)	(6)	(8)	-	(416)
At 31 December 2017/ 1 January 2018	733	4,406	49,964	31,160	6,770	4,541	97,574
Acquisition through business combinations	-	203	-	4,201	46	-	4,450
Additions	-	117	-	2,094	198	-	2,409
Transfer	-	-	-	3,629	-	(3,629)	-
Disposals	-	-	(35,608)	(488)	(1,888)	-	(35,984)
Derecognition through disposal of subsidiaries	-	-	-	-	(297)	-	(297)
Write-off	-	-	(84)	(146)	(150)	(3)	(383)
Effect of movements in exchange rates	-	-	(1,895)	-	54	-	(1,841)
At 31 December 2018	733	4,726	14,377	40,450	4,733	909	65,928

3. Property, plant and equipment (continued)

Group Depreciation and impairment loss	**Land RM'000**	**Buildings RM'000**	**Plant and machinery RM'000**	**Motor vehicles RM'000**	**Office equipment, furniture and fittings RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 January 2017							
Accumulated depreciation	-	256	9,941	16,374	3,523	-	30,094
Accumulated impairment loss	-	-	2,233	-	-	-	2,233
	-	256	12,174	16,374	3,523	-	32,327
Depreciation for the year	-	44	1,948	2,893	573	-	5,458
Disposals	-	-	(11)	(1,788)	-	-	(1,799)
Write-off	-	-	(40)	(83)	(160)	-	(283)
Effect of movements in exchange rates	-	-	(71)	(7)	(4)	-	(82)
At 31 December 2017/ 1 January 2018							
Accumulated depreciation	-	300	11,767	17,389	3,932	-	33,388
Accumulated impairment loss	-	-	2,233	-	-	-	2,233
	-	300	14,000	17,389	3,932	-	35,621
Depreciation for the year	-	94	937	3,447	371	-	4,849
Depreciation through business combinations	-	14	-	2,631	21	-	2,666
Reversal of impairment loss	-	-	(1,632)	-	-	-	(1,632)
Disposals	-	-	(7,634)	(488)	(224)	-	(8,346)
Derecognition through disposal of subsidiaries	-	-	-	-	(259)	-	(259)
Write-off	-	-	(20)	(15)	(150)	-	(185)
Effect of movements in exchange rates	-	-	(410)	-	205	-	(205)
At 31 December 2018							
Accumulated depreciation	-	408	4,640	22,964	3,896	-	31,908
Accumulated impairment loss	-	-	601	-	-	-	601
	-	408	5,241	22,964	3,896	-	32,509
Carrying amounts							
At 1 January 2017	733	4,150	38,434	13,522	544	6,107	63,490
At 31 December 2017/ 1 January 2018	733	4,106	35,964	13,771	2,838	4,541	61,953
At 31 December 2018	733	4,318	9,136	17,486	837	909	33,419

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company **Cost**	**Motor vehicles** **RM'000**
At 1 January 2017/31 December 2017/1 January 2018/31 December 2018	1,130
Depreciation	
At 1 January 2017	387
Depreciation for the year	226
At 31 December 2017/1 January 2018	613
Depreciation for the year	226
At 31 December 2018	839
Carrying amounts	
At 1 January 2017	743
At 31 December 2017/1 January 2018	517
At 31 December 2018	291

3.1 Assets under finance lease

Included in property, plant and equipment of the Group and the Company are motor vehicles and plant and machinery acquired under finance lease agreements with net book value of RM9,532,000 (2017: RM8,552,000) and RM291,000 (2017: RM517,000) respectively.

3.2 Pledged assets

Included in the net book value of buildings are amounts of RM1,656,000 (2017: RM1,574,000) charged to a licensed bank for facility granted to the Group (Note 16.1).

4. Intangible assets

Group Cost	Note	Goodwill RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
At 1 January 2017		3,683	18,148	-	21,831
Acquired through business combination		8,513	-	-	8,513
At 31 December 2017/1 January 2018		12,196	18,148	-	30,344
Additions		-	-	3,302	3,302
Acquired through business combination	33	1,161	-	-	1,161
At 31 December 2018		13,357	18,148	3,302	34,807
Amortisation and impairment loss					
At 1 January 2017					
Accumulated amortisation		-	-	-	-
Accumulated impairment loss		-	-	-	-
		-	-	-	-
Impairment loss		(8,513)	-	-	(8,513)
At 31 December 2017/1 January 2018/ 31 December 2018					
Accumulated amortisation		-	-	-	-
Accumulated impairment loss		(8,513)	-	-	(8,513)
		(8,513)	-	-	(8,513)
Carrying amounts					
At 1 January 2017		3,683	18,148	-	21,831
At 31 December 2017/1 January 2018		3,683	18,148	-	21,831
At 31 December 2018		4,844	18,148	3,302	26,294

4.1 Amortisation

The amortisation of software and trademarks has not commenced as the software and trademarks are still at its testing stage.

4. Intangible assets (continued)

Goodwill

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to a subsidiary acquired at which the goodwill is monitored for internal management purposes.

The goodwill impairment test was based on value in use determined by the management. Value in use was derived from the subsidiary future budgets. Key assumptions used in preparing the budgets represent management's assessment of future trends in the subsidiary principal activity with certain reference made to the internal sources (historical data).

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Based on past experience and actual operating results attained in both 2017 and 2018, 5 years cash flow projections were prepared. An average growth rate of 5 percent was incorporated into the projections.

- A pre-tax discount rate of 7.5 percent was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the Group's working cost of capital adjusted to the risk of the underlying assets.

Based on the assessments, there was no indication of impairment on goodwill during the financial year under review. In addition, there were also assessments on the key assumptions used and sensitivity of such assumptions to impairment losses and the results are as follows:

(i) An increase of 100 basis point in the discount rate used would not result in impairment losses.

(ii) A 10% decrease in future planned revenue would not result in impairment losses.

Land use rights

Land use rights represent the right acquired by a group entity over a parcel of land for a duration until year 2082. The Group intends to utilise the land for mixed development project. Hence, amortisation is not required as it would be subsequently capitalised when the development commences. Had amortisation been provided on the land use rights during the financial year, the carrying amount would have reduced by RM1,426,000 (2017: RM1,052,000).

Notes to the Financial Statements

5. Investment properties

	Group 2018 RM'000	Group 2017 RM'000
At beginning of year	8,201	8,485
Disposals	-	(284)
At end of year	8,201	8,201

Included in the above are:

	Group 2018 RM'000	Group 2017 RM'000
At fair value		
Freehold land	319	319
Freehold land and buildings	550	550
Leasehold land and buildings with unexpired lease period of more than 50 years	7,332	7,332
	8,201	8,201

The following are recognised in profit or loss in respect of investment properties:

	Group 2018 RM'000	Group 2017 RM'000
Direct operating expenses:		
- income generating investment properties	6	7

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2018 Level 3 RM'000	2018 Total RM'000	2017 Level 3 RM'000	2017 Total RM'000
Group				
Land	319	319	319	319
Buildings	7,882	7,882	7,882	7,882
	8,201	8,201	8,201	8,201

5. Investment properties (continued)

5.1 Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM71 to RM452).	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment property portfolio and changes in Level 3 fair values are analysed every year.

6. Investments in subsidiaries

	Company	
	2018 RM'000	2017 RM'000
At cost		
Shares	93,678	93,678
Preference shares	7,267	7,267
Less: Impairment losses	(12,964)	(6,857)
	87,981	94,088

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewage and wastewater facilities; - Provision of mechanical and electrical engineering services for general industries; and - Investment holding	100	100
Salcon Water (Asia) Limited *	Hong Kong	Investment holding	60	60
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant	51	51
Salcon Changzhou (HK) Limited *	Hong Kong	Investment holding	100	100
Salcon Xinlian Group Limited *	Hong Kong	Investment holding	51	51
Salcon Capital Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Power (HK) Limited +	Hong Kong	Sales of solar power products and solar energy	100	100
Salcon Water (HK) Limited *	Hong Kong	Dormant	100	100
Salcon Development Sdn. Bhd.	Malaysia	Investment holding	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Dormant	70	70
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	70
Satria Megajuta Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Labuan) Limited	Malaysia	Provision of petroleum related services	100	100
Salcon Xinlian Sdn. Bhd.^	Malaysia	Investment holding	51	51

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Power Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.	Malaysia	Provision of petroleum related services	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60
Glitteria Sdn. Bhd. @ ^	Malaysia	Dormant	50	50
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon (Perak) Sdn. Bhd. @ ^	Malaysia	Dormant	40	40
Logit Sdn. Bhd. (f.k.a. Salcon ELU Sdn. Bhd.) ^	Malaysia	Dormant	100	100
Salcon (Sarawak) Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Engineering Vietnam Company Limited *	Vietnam	Dormant	100	100
Salcon Engineering (India) Pte. Ltd. *	India	Dormant	100	100

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiary of Salcon Water (Asia) Limited:				
Salcon Services (HK) Limited *	Hong Kong	Investment holding	60	60
Subsidiary of Salcon Services (HK) Limited:				
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. *	People's Republic of China	Dormant	60	60
Subsidiary of Salcon Changzhou (HK) Limited:				
Changzhou Salcon Wastewater Treatment Company Limited *	People's Republic of China	Dormant	-	100
Subsidiary of Salcon Power Sdn. Bhd.:				
Salcon Green Energy (UK) Ltd. *	United Kingdom	Dormant	-	100
Subsidiary of Salcon Capital Sdn. Bhd.:				
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51	51

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiary of Salcon Xinlian Group Limited:				
Salcon Investment Consultation (Shanghai) Company Limited *	People's Republic of China	Dormant	51	51
Circlic Interactive Tourism Sdn. Bhd. #	Malaysia	E-commerce travel and tourism	33	33
Beijing Xinlian Yitong Technology Co. Ltd. *	People's Republic of China	Online tourism and marketing services	51	51
Circlic Sdn. Bhd. ^ #	Malaysia	Domain of mobile commerce	33	33
SignCharge Sdn. Bhd. ^ #	Malaysia	Technology startup in the business of building mobile identity infrastructure for the banking and mobile payment industry	33	33
Subsidiary of Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.:				
JTT Advisory Sdn. Bhd.	Malaysia	Promotional services	100	100
Subsidiary of Beijing Xinlian Yitong Technology Co. Ltd.:				
Shanghai Shanmao E-commerce Co. Ltd. * #	People's Republic of China	Travel e-commerce services	26	26
Subsidiary of Logit Sdn. Bhd. (formerly known as Salcon ELU Sdn. Bhd.):				
Rayvn AS +	Norway	Developing and selling a web-based software solution for crisis management	-	51
Subsidiary of Rayvn AS:				
Rayvn U.S Inc *	United States	Developing and selling a web-based software solution for crisis management	-	51

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd. @	Malaysia	Property development	50	50
Prestasi Kemas Sdn. Bhd.	Malaysia	Property development	70	70
Nusantara Megajuta Sdn. Bhd. @	Malaysia	Property development	50	50
Subsidiary of Eco-Coach & Tours (M) Sdn. Bhd.:				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	51	51
Green Fleet Sdn. Bhd. (f.k.a. Crystal Expertise Sdn. Bhd.) ^ Ω	Malaysia	Transportation services	51	-

\+ Audited by other member firms of KPMG International.

^ Audited by other firms of accountants.

@ Although the Group owns 50% or less than 50% of the voting power of the Group Entities, the Group regards them as subsidiaries as it is able to govern the financial and operating policies of the companies by virtue of shareholders agreements entered into with the other investors of these group entities. Consequently, the Group consolidates its investments in these companies.

Although the effective ownership interest and voting interest is less than 50%, the Group controls the group entities by virtue of its majority ownership through its subsidiaries.

* The financial statements of these subsidiaries were not audited and these subsidiaries were consolidated based on management financial statements.

Ω The statutory financial year end of Green Fleet Sdn. Bhd., a newly acquired subsidiary was 30 June 2018 and it did not coincide with the Group. Green Fleet Sdn. Bhd. is in the midst of changing its statutory financial year end to conform with the Group.

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

6.1 Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Envitech Sdn. Bhd. RM'000	Salcon Water (Asia) Limited RM'000	Salcon Xinlian Group Limited RM'000
2018			
NCI percentage of ownership interest and voting interest	40%	40%	49%
Carrying amount of NCI	20,012	4,099	(5,132)
Profit allocated to NCI	1,033	(196)	(6,399)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	11,685	-	1,406
Current assets	48,068	13,337	3,698
Non-current liabilities	(371)	-	-
Current liabilities	(9,352)	(3,090)	(12,248)
Net assets/(liabilities)	50,030	10,247	(7,144)
Year ended 31 December			
Revenue	35,013	-	72
Profit/(loss) for the year	2,581	(490)	(12,607)
Total comprehensive income/(expenses)	2,581	(490)	(12,607)
Cash flows generated from/(used in) operating activities	1,591	(61)	(229)
Cash flows (used in)/from investing activities	(4,059)	1	(3)
Cash flows from financing activities	2,549	-	-
Net increase/(decrease) in cash and cash equivalents	81	(60)	(232)
Dividends paid to NCI	560	-	-

Notes to the Financial Statements

6. Investments in subsidiaries (continued)

6.1 Non-controlling interest in subsidiaries (continued)

2017	Envitech Sdn. Bhd. RM'000	Salcon Water (Asia) Limited RM'000	Salcon Xinlian Group Limited RM'000
NCI percentage of ownership interest and voting interest	40%	40%	49%
Carrying amount of NCI	19,540	4,523	4,583
Profit allocated to NCI	716	3	(3,454)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	11,974	-	7,906
Current assets	46,987	13,638	5,360
Non-current liabilities	(458)	-	-
Current liabilities	(9,654)	(2,330)	(3,913)
Net assets	48,849	11,308	9,353
Year ended 31 December			
Revenue	45,027	-	219
Profit/(loss) for the year	1,791	7	(5,497)
Total comprehensive income/(expenses)	1,791	7	(5,497)
Cash flows (used in)/generated from operating activities	(2,408)	(12,892)	6,884
Cash flows used in investing activities	(462)	(5,077)	(6,523)
Cash flows used in financing activities	(1,499)	-	(69)
Net (decrease)/increase in cash and cash equivalents	(4,369)	(17,969)	292
Dividends paid to NCI	560	-	-

7. Investments in associates

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Shares - at cost	12,544	12,544	294	294
Preference shares - at cost	25,039	26,706	-	-
Share of post-acquisition reserves	1,566	3,476	-	-
	39,149	42,726	294	294

Notes to the Financial Statements

7. Investments in associates (continued)

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2018 %	2017 %
Salcon Petroleum Services Sdn. Bhd. ("SPS")	Malaysia	Service provider and agent for representing overseas oil and gas services companies in Malaysia	49	49
Associate of Salcon Engineering Berhad:				
Emas Utilities Corporation Sdn. Bhd. ("EUC")	Malaysia	Investment holding company with 90% equity interest in Binh An Water Corporation Ltd., who engaged in production and supply of treated water in Vietnam	40	40
Associate of Salcon Development Sdn. Bhd.:				
Eco World - Salcon Y1 Pty. Ltd.	Australia	Property development	20	20
Associate of Circlic Interactive Tourism Sdn. Bhd.:				
Wisdom Sports (M) Sdn. Bhd.	Malaysia	Sports tourism	15	15

The following table summarises the financial information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

Notes to the Financial Statements

7. Investments in associates (continued)

Group	EUC 2018 RM'000	EUC 2017 RM'000
Summarised financial information as at 31 December		
Non-current assets	3,491	10,402
Current assets	52,110	45,719
Current liabilities	(1,112)	(1,058)
Net assets	54,489	55,063
Year ended 31 December		
Profit for the year	12,115	13,422
Other comprehensive (expense)/income	(299)	(5,431)
Total comprehensive income	11,816	7,991
Included in the total comprehensive income is:		
Revenue	29,057	30,880

Group	EUC RM'000	Other immaterial associates RM'000	Total RM'000
2018			
Reconciliation of net assets/(liabilities) to carrying amount as at 31 December			
Group's share of net assets/(liabilities)	21,796	8,622	30,418
Carrying amount in the statement of financial position	21,796	8,622	30,418
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	4,333	(1,790)	2,543
Other information			
Dividends received by the Group	4,452	-	4,452
2017			
Reconciliation of net assets/(liabilities) to carrying amount as at 31 December			
Group's share of net assets/(liabilities)	22,026	11,320	33,346
Carrying amount in the statement of financial position	22,026	11,320	33,346
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	4,827	(1,665)	3,162
Other information			
Dividends received by the Group	4,816	-	4,816

8. Investments in joint ventures

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Shares - at cost	29,063	29,063	23,500	23,500
Share of post-acquisition reserves	10,953	20,127	-	-
	40,016	49,190	23,500	23,500

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2018 %	Proportion of ownership interest 2017 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	8.1	50 plus 2 shares	50 plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	8.2	36	36
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	8.3	50	50
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	8.4	50	50
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	8.5	30	30

8.1 On 7 May 2014, the Group has acquired 50% plus one ordinary share, representing 200,001 ordinary shares each in Volksbahn Technologies Sdn. Bhd. ("VTSB") for a total cash consideration of RM23.5 million. VTSB had, on 22 June 2014, allotted 400,001 bonus shares to its shareholders. As a result, the Group was entitled to 200,001 shares in VTSB of which in total, the Group has had 400,002 shares representing 50% plus 2 ordinary shares in VTSB. Pursuant to the terms and nature of the shareholders agreement, the Group's investment in VTSB constitute a joint arrangement as the entity is jointly controlled by the Group and the other shareholder.

8.2 On 8 April 2014, the Group entered into a joint arrangement with MMC Corporation Berhad ("MMCB") and Ahmad Zaki Sdn. Bhd. ("AZSB"), and together, they have incorporated Salcon MMCB AZSB JV Sdn. Bhd. ("L1") on 29 September 2014.

Notes to the Financial Statements

8. Investments in joint ventures (continued)

8.3 On 23 December 2014, the Group entered into another joint arrangement with MMC Engineering Services Sdn. Bhd. ("MMCES") and AZSB to form Salcon MMCES AZSB JV Sdn. Bhd. ("L2"). On 30 September 2016, this joint venture has come to a novation agreement whereby the Group further acquire 14% shares in L2 resulting the Group has effective interest of 50% in L2 thereon.

Both Salcon MMCB AZSB JV Sdn. Bhd. and Salcon MMCES AZSB JV Sdn. Bhd. are set up to undertake the Langat 2 water treatment plant project.

8.4 On 30 December 2014, the Group entered into another joint arrangement with Loh & Loh Construction Sdn. Bhd. to form Salcon Loh & Loh JV Sdn. Bhd. ("SLL").

8.5 On 23 January 2015, the Group entered into a joint arrangement with Water Engineering Technology Sdn. Bhd. to form WET Envitech Sdn. Bhd. ("WESB"). The paid up capital of the joint arrangement is RM2, divided equally to the shareholders. On 23 May 2017, the paid up capital has been increased by RM999,998 to RM1,000,000, divided equally to the shareholders.

The following table summarises the financial information of the Group's material joint ventures, adjusted for any differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interests in joint ventures, which are accounted for using the equity method.

	WESB		L2		VTSB	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Summarised financial information						
As at 31 December						
Non-curent assets	11,054	138	-	-	13,720	11,459
Current assets	38,914	47,020	182,408	228,738	4,538	4,674
Non-curent liabilities	(1,440)	-	-	-	(518)	(1,119)
Current liabilities	(30,341)	(42,289)	(159,799)	(195,053)	(14,100)	(11,405)
Cash and cash equivalents	23,942	1,430	3,151	9,187	1,491	2,313
Year ended 31 December						
Profit/(Loss) from continuing operations	15,027	6,491	3,924	8,672	65	(2,366)
Total comprehensive income/(expense)	15,027	6,491	3,924	8,672	65	(2,366)
Included in the total comprehensive income/(expense) are:						
Revenue	75,098	76,326	106,907	169,841	8,482	5,279
Interest income	367	92	858	286	6	12
Interest expense	-	(1,005)	(295)	(709)	(469)	(295)
Tax expense	(3,812)	-	(869)	(2,806)	-	-

Notes to the Financial Statements

8. Investments in joint ventures (continued)

	WESB RM'000	L2 RM'000	VTSB RM'000	Other immaterial joint ventures RM'000	Total RM'000
2018					
Reconciliation of net assets to carrying amount as at 31 December					
Group's share of net assets	5,456	11,304	1,820	2,416	20,996
Carrying amount in the statement of financial position	5,456	11,304	1,820	2,416	20,996
Group's share of results for the year ended 31 December					
Group's share of profit from continuing operations	3,996	1,962	33	2,334	8,325
Group's share of total comprehensive income	3,996	1,962	33	2,334	8,325
Other information					
Dividends received by the Group	-	7,500	-	10,000	17,500
2017					
Reconciliation of net assets to carrying amount as at 31 December					
Group's share of net assets	1,461	16,842	1,805	10,079	30,187
Carrying amount in the statement of financial position	1,461	16,842	1,805	10,079	30,187
Group's share of results for the year ended 31 December					
Group's share of profit/(expense) from continuing operations	1,927	7,418	(1,183)	4,297	12,459
Group's share of total comprehensive income/(expense)	1,927	7,418	(1,183)	4,297	12,459

Notes to the Financial Statements

9. Other investments

Group	Shares RM'000	Total RM'000
2018		
Non-current		
Fair value through profit or loss		
- Quoted shares	238	238
2017		
Non-current		
Available-for-sale financial assets	675	675
Less: Impairment loss	(135)	(135)
	540	540
Company		
2018		
Non-current		
Fair value through profit or loss		
- Quoted shares	238	238
2017		
Non-current		
Available-for-sale financial assets	675	675
Less: Impairment loss	(135)	(135)
	540	540

10. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	10	10	(1,814)	(2,042)	(1,804)	(2,032)
Other items	-	-	(795)	(923)	(795)	(923)
Tax losses carry-forward	3,516	3,516	-	-	3,516	3,516
Unabsorbed capital allowances	375	375	-	-	375	375
Tax assets/(liabilities)	3,901	3,901	(7,146)	(7,502)	(3,245)	(3,601)
Set off of tax	(203)	(203)	203	203	-	-
Net tax assets/(liabilities)	3,698	3,698	(6,943)	(7,299)	(3,245)	(3,601)

10. Deferred tax assets and liabilities (continued)

Recognised deferred tax assets/(liabilities) (continued)

In recognising the deferred tax assets attributable to unutilised tax losses carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carry-forward amounting to approximately RM14.6 million (2017: RM14.6 million) will not be available to the Group, resulting in a decrease in deferred tax assets of RM3.5 million (2017: RM3.5 million).

Under the Finance Bill 2018, the tax losses can be carried forward up to seven (7) consecutive year of assessments effective from 2019. The tax losses carry-forward of approximately RM14.6 million as at 2018 can be carried forward up to 2025.

Movement in temporary differences during the financial year are as follows:

Group	At 1.1.2017 RM'000	Recognised in profit or loss (Note 20) RM'000	Derecognition through disposal of subsidiary (Note 21) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2018 RM'000
Land use rights	(4,537)	-	-	(4,537)	-	(4,537)
Property, plant and equipment	(1,734)	(298)	-	(2,032)	228	(1,804)
Other items	(3,382)	5,307	(2,848)	(923)	128	(795)
Tax losses carry forward	3,516	-	-	3,516	-	3,516
Unabsorbed capital allowances	375	-	-	375	-	375
	(5,762)	5,009	(2,848)	(3,601)	356	(3,245)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other deductible temporary differences	4,866	4,866	-	-
Unabsorbed capital allowances	1,453	1,322	-	20
Unutilised tax losses	5,378	5,288	-	-
	11,697	11,476	-	20

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Notes to the Financial Statements

11. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade receivables	11.1	66,983	55,043	-	-
		66,983	55,043	-	-
Non-trade					
Amounts due from associates	11.2	18,430	2,196	1,345	1,233
Amounts due from joint ventures	11.3	32,252	27,869	5,748	5,354
Amounts due from subsidiaries	11.4	-	-	310,695	359,622
Other receivables	11.5	22,142	23,800	451	469
Deposits		2,045	2,017	-	-
		74,869	55,882	318,239	366,678
		141,852	110,925	318,239	366,678

11.1 Included in trade receivables of the Group are retention sums amounting to RM12,053,000 (2017: RM12,521,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group 2018 RM'000	Group 2017 RM'000
Within 1 year	2,720	1,352
1 – 2 years	3,786	2,379
2 – 3 years	2,034	3,778
3 – 4 years	3,447	2,536
4 – 5 years	-	2,476
More than 5 years	66	-
	12,053	12,521

11.2 The amounts due from associates of the Group and of the Company are unsecured, interest free and repayable on demand except for an amount of RM1.34 million (2017: RM1.2 million) which bears interest of 7.9% (2017: 7.65%) per annum.

11.3 The amounts due from joint ventures of the Group and of the Company are unsecured, interest free and repayable on demand except for an amount of RM19.1 million (2017: RM19.1 million) and RM5.7 million (2017: RM5.3 million) which bears interest of 6.9% to 7.9% (2017: 6.65% to 7.65%) per annum, respectively.

11.4 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for amounts of RM314.9 million (2017: RM318.1 million) which bear interest ranging from 2% to 7.9% (2017: 2% to 7.65%) per annum.

Notes to the Financial Statements

11. Trade and other receivables (continued)

11.5 Included in other receivables of the Group are allowance for impairment losses made against doubtful receivables of RM1,152,000 (2017: RM1,601,000).

12. Contract with customers

Contract assets/(liabilities)

Group	2018 RM'000	2017 RM'000
Contract assets	59,328	49,788
Contract liabilities	1,063	196

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 60 days and payment is expected within 60 to 120 days.

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract, which revenue is recognised over time during the construction contracts. The contract liabilities are expected to be recognised as revenue over a period of 60 days.

There are no significant changes to contract assets and contract liabilities balances during the year.

13. Inventories

	Note	Group 2018 RM'000	Group 2017 RM'000
At cost:			
Spares		13	7
Consumables		135	27
Raw materials		-	102
Completed properties held for sale		29,189	33,087
Properties under development	13.1	108,831	108,831
		138,168	142,054

13.1 Properties under development comprises:

Land held for property development	108,615	108,615
Development costs	216	216
	108,831	108,831

13. Inventories (continued)

The land held for property development with carrying amount of RM108,615,000 (2017: RM108,615,000) is charged to the financial institution for the facilities granted to Group entities (Note 16.1).

14. Cash and cash equivalents

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits with licensed banks				
- Malaysia	7,207	59,079	1,064	210
- Outside Malaysia	52,268	26,259	52,268	26,259
	59,475	85,338	53,332	26,469
Cash and bank balances				
- Malaysia	31,827	23,177	20,988	2,451
- Outside Malaysia	23,845	25,296	635	14,034
	55,672	48,473	21,623	16,485
	115,147	133,811	74,955	42,954

Included in the deposits with licensed banks of the Group is amount of RM30,000 (2017: RM35,000) pledged for facilities granted to the Group.

15. Capital and reserves

15.1 Share capital

	Group and Company			
	Amount 2018 RM'000	**Number of shares 2018 '000**	**Amount 2017 RM'000**	**Number of shares 2017 '000**
Ordinary shares				
Issued and fully paid:				
At beginning of year	424,465	677,694	338,847	677,694
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note a)	-	-	85,618	-
Issued under bonus issue (Note b)	-	169,419	-	-
At end of year	424,465	847,113	424,465	677,694

Notes to the Financial Statements

15. Capital and reserves (continued)

15.1 Share capital (continued)

(a) In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had twenty-four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

(b) On 16 July 2018, the Company issued 169,419,203 bonus shares to the shareholders, utilising the share premium of RM85,618,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

15.2 Treasury shares

The Company repurchased 22,050,100 (2017: 4,653,300) ordinary shares of its issued share capital from the open market, at an average costs of RM0.25 (2017: RM0.50) per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM5.43 million (2017: RM2.34 million) and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

During the financial year ended 31 December 2018, the Company distributed Nil (2017: 35,663,238) treasury shares to entitled shareholders as share dividend. At the end of the year, the number of treasury shares held was 27,188,927 (2017: 4,000,062) shares.

15.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than Ringgit Malaysia.

15.4 Capital reserve

Capital reserve comprises amount received from local government for the incidental infrastructure development activities undertaken by a Group entity. The receipts are capital in nature pursuant to the Directive issued by the Authority.

Notes to the Financial Statements

16. Loans and borrowings

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Term loans (secured)	16.1	3,007	658	-	-
Finance lease liabilities	16.2	4,631	5,083	83	299
		7,638	5,741	83	299
Current					
Bank overdrafts (unsecured)		1,430	4,803	-	-
Bankers' acceptances (unsecured)	16.3	10,354	3,389	-	-
Revolving credits (unsecured)	16.3	7,000	8,000	-	-
Term loans (secured)	16.1	19,716	42,897	-	-
Finance lease liabilities	16.2	2,243	1,798	216	206
		40,743	60,887	216	206
		48,381	66,628	299	505

16.1 Term loans

Secured term loans are secured via the following:

a) Legal charge over the freehold buildings owned by a Group entity with carrying amount of RM1,656,000 (Note 3.2).

b) 1st party 2nd legal charge over the land owned by a Group entity with carrying amount of RM108,615,000 (Note 13.1).

All other facilities (except finance lease liabilities) granted to the subsidiaries are guaranteed by the Company.

The repayment term of the term loans are as follows:

	Under 1 year RM'000 2018	1 to 5 years RM'000 2018	More than 5 years RM'000 2018	Under 1 year RM'000 2017	1 to 5 years RM'000 2017	More than 5 years RM'000 2017
Group						
Term loan (secured)	19,716	1,124	1,883	42,897	510	148

16. Loans and borrowings (continued)

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 2018	Interest RM'000 2018	Present value of minimum lease payments RM'000 2018	Future minimum lease payments RM'000 2017	Interest RM'000 2017	Present value of minimum lease payments RM'000 2017
Group						
Less than one year	2,551	(308)	2,243	2,129	(331)	1,798
Between one and five years	5,043	(412)	4,631	5,565	(482)	5,083
	7,594	(720)	6,874	7,694	(813)	6,881
Company						
Less than one year	225	(9)	216	224	(18)	206
Between one and five years	84	(1)	83	309	(10)	299
	309	(10)	299	533	(28)	505

16.3 The banker's acceptance and revolving credits are secured via fixed deposits with licensed bank (see Note 14).

16.4 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
Group				
2018				
Balance at beginning of the year	6,881	43,555	11,389	61,825
Drawdown of other borrowings	-	-	6,965	6,965
Repayment of borrowings	-	(23,558)	(1,000)	(24,558)
Acquisition of property, plant and equipment through finance lease liabilities	1,898	-	-	1,898
Acquisition of loans and borrowings through business combination	584	2,726	-	3,310
Repayment of finance lease liabilities	(2,489)	-	-	(2,489)
Balance at end of the year	6,874	22,723	17,354	46,951

Notes to the Financial Statements

16. Loans and borrowings (continued)

16.4 Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
Group				
2017				
Balance at beginning of the year	5,865	66,993	-	72,858
Drawdown of other borrowings	-	-	11,389	11,389
Repayment of borrowings	-	(23,438)	-	(23,438)
Acquisition of property, plant and equipment through finance lease liabilities	1,728	-	-	1,728
Repayment of finance lease liabilities	(712)	-	-	(712)
Balance at end of the year	6,881	43,555	11,389	61,825

Company	Finance lease liabilities RM'000
2018	
Balance at beginning of the year	505
Repayment of finance lease liabilities	(206)
Balance at end of the year	299
2017	
Balance at beginning of the year	701
Repayment of finance lease liabilities	(196)
Balance at end of the year	505

17. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade payables		29,197	19,994	-	-
Accrued expenses		32,234	20,882	-	-
		61,431	40,876	-	-
Non-trade					
Amounts due to associates	17.1	549	537	-	-
Amounts due to subsidiaries	17.2	-	-	40,694	27,208
Other payables	17.3	16,444	26,826	1,077	969
Accrued expenses		873	1,362	60	133
		17,866	28,725	41,831	28,310
		79,297	69,601	41,831	28,310

Notes to the Financial Statements

17. Trade and other payables (continued)

17.1 The amounts due to associates are unsecured, interest free and repayable upon demand.

17.2 The amounts due to subsidiaries are unsecured, interest free and repayable upon demand.

17.3 Included in other payables of the Group are as follows:

i) RM10.6 million (2017: RM13.5 million) being amount due to non-controlling interest of a subsidiary for business operation funding. The amount is unsecured, bearing interest of 8.4% (2017: 8.35%) per annum and repayable upon demand.

ii) RM560,000 (2017: RM560,000) being dividend payable by a subsidiary to non-controlling interest.

18. Revenue

	Continuing operations		Discontinued operation (Note 21)		Total	
	2018	2017	2018	2017	2018	2017
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue from contract with customers						
Construction						
- Water projects	26,120	26,432	-	-	26,120	26,432
- Wastewater projects	40,897	46,089	-	-	40,897	46,089
- Water system repairs	35,628	11,339	-	-	35,628	11,339
- Others	480	-	-	-	480	-
Concessions	1,481	1,571	-	-	1,481	1,571
Trading and services						
- Transportation	16,749	15,253	-	-	16,749	15,253
- Solar power services	2,371	3,441	-	-	2,371	3,441
- Others	888	1,667	471	1	1,359	1,668
Property development	5,607	100,700	-	-	5,607	100,700
Total revenue	130,221	206,492	471	1	130,692	206,493
Company						
Dividends	818	842	-	-	818	842

Notes to the Financial Statements

18. Revenue (continued)

18.1 Disaggregation of revenue

Group	Construction 2018 RM'000	Construction 2017 RM'000	Concessions 2018 RM'000	Concessions 2017 RM'000	Trading and services 2018 RM'000	Trading and services 2017 RM'000	Property development 2018 RM'000	Property development 2017 RM'000	Total 2018 RM'000	Total 2017 RM'000
Primary geographical markets										
Malaysia	103,125	80,662	1,481	1,571	17,610	15,473	5,607	100,700	127,823	198,406
The United Kingdom	-	-	-	-	2,371	3,441	-	-	2,371	3,441
Norway	-	-	-	-	-	1,309	-	-	-	1,309
China	-	-	-	-	27	138	-	-	27	138
Other countries	-	3,198	-	-	-	-	-	-	-	3,198
	103,125	83,860	1,481	1,571	20,008	20,361	5,607	100,700	130,221	206,492
Major products and services lines										
Water projects	26,120	26,432	-	-	-	-	-	-	26,120	26,432
Wastewater projects	40,897	46,089	-	-	-	-	-	-	40,897	46,089
Water system repairs	35,628	11,339	-	-	-	-	-	-	35,628	11,339
Concessions	-	-	1,481	1,571	-	-	-	-	1,481	1,571
Property development	-	-	-	-	-	-	5,607	100,700	5,607	100,700
Transportation	-	-	-	-	16,749	15,253	-	-	16,749	15,253
Solar power services	-	-	-	-	2,371	3,441	-	-	2,371	3,441
Others	480	-	-	-	888	1,667	-	-	1,368	1,667
	103,125	83,860	1,481	1,571	20,008	20,361	5,607	100,700	130,221	206,492
Timing and recognition										
Over time	103,125	83,860	-	-	19,120	18,694	-	-	122,245	102,554
At a point in time	-	-	1,481	1,571	888	1,667	5,607	100,700	7,976	103,938
Total revenue	103,125	83,860	1,481	1,571	20,008	20,361	5,607	100,700	130,221	206,492

18. Revenue (continued)

18.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Water projects	Revenue is recognised over time using the cost incurred method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Wastewater projects	Revenue is recognised over time using the cost incurred method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Water system repairs	Revenue is recognised over time using the cost incurred method.	Based on agreed milestones, certified by architects.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Concession	Revenue is recognised over time based on the quantity of product sold by the customer.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Property development	Revenue is recognised at a point in time where the sale and purchase agreement is signed.	Based on agreed amount as per Sales and Purchase Agreement.	Cash rebate of 10% will be given to all sales.	Not applicable.	Defect liability period of 2 years is given to customers.
Transportation	Revenue from services rendered is recognised in profit or loss during the period the obligations to provide transportation and tour services are satisfied.	Credit period of 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Solar power services	Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period.	Credit period of 60 to 120 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

18. Revenue (continued)

18.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	More than 1 year RM'000	Total RM'000
Water projects	261,153	261,153
Wastewater projects	72,007	72,007
Water system repairs	36,641	36,641
	369,801	369,801

The Group applies the following practical expedients:
- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

18.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

18.5 Revenue recognised by associates and joint ventures

The revenue recognised by the Group's associates and joint ventures at the end of the reporting period are as below:

	Group	
	2018 RM'000	2017 RM'000
Associates	29,879	31,501
Joint ventures	432,982	576,000
	462,861	607,501

The Group recognised its share of profit or loss from the continuing operations of the associates and joint ventures as disclosed in Note 7 and Note 8.

Notes to the Financial Statements

19. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors:				
- Fees	5,469	5,218	283	270
- Remuneration	4,691	6,600	525	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	342	318	29	20
	10,502	12,136	837	290

20. Tax expense

Recognised in profit or loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income tax expense on continuing operations	2,224	(2,707)	467	331
Income tax expense on discontinued operation	1	(2,848)	-	-
Share of tax of equity-accounted associates/joint ventures	1,178	2,769	-	-
Total income tax expense	3,403	(2,786)	467	331

20. Tax expense (continued)

Recognised in profit or loss (continued)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	2,265	1,537	497	264
- prior year	312	(2,099)	(30)	67
Overseas - prior year	4	16	-	-
Total current tax recognised in profit or loss	2,581	(546)	467	331
Deferred tax expense				
Origination and reversal of temporary differences	(2,719)	(5,045)	-	-
Under provision in prior year	2,363	36	-	-
Total deferred tax recognised in profit or loss	(356)	(5,009)	-	-
Share of tax of equity-accounted associates/joint ventures	1,178	2,769	-	-
Total tax expense	3,403	(2,786)	467	331
Reconciliation of tax expense				
(Loss)/Profit for the year	(4,393)	(30,043)	(24,651)	4,325
Total tax expense	3,403	(2,786)	467	331
(Loss)/Profit excluding tax	(990)	(32,829)	(24,184)	4,656
Income tax calculated using Malaysian tax rate of 24%	(238)	(7,879)	(5,804)	1,117
Effect of tax rates in foreign jurisdictions	66	177	-	-
Non-deductible expenses	2,654	8,657	7,132	3,300
Tax exempt income	(1,811)	(809)	(196)	(202)
Non-taxable income	-	-	(640)	(3,946)
Effect of deferred tax assets not recognised	53	-	5	-
Effect of deferred tax assets previously not recognised	-	(885)	-	(5)
	724	(739)	497	264
Under/(Over) provision in prior years	2,679	(2,047)	(30)	67
	3,403	(2,786)	467	331

Notes to the Financial Statements

21. Discontinued operation

During the year, the disposal of Rayvn AS has been completed during the financial year.

In 2017, the disposal of Eco World-Salcon Y1 Pty Ltd, Wisdom Sports (M) Sdn. Bhd. and Juviter Group Sdn. Bhd. had been completed during the financial year.

Profit attributable to the discontinued operation was as follows:

		Group	
	Note	**2018 RM'000**	**2017 RM'000**
Revenue	18	471	1
Expenses		(1,823)	(6,725)
Results from operating activities, net of tax		(1,352)	(6,724)
Gain on sale of discontinued operations		745	8,759
(Loss)/Profit for the year		(607)	2,035
Included in results from operating activities are:			
Depreciation of property, plant and equipment		195	690
Amortisation of intangible assets		-	-
Finance income		7	9
Finance cost		40	656
Cash flows from discontinued operation			
Net cash used in operating activities		(122)	(79,505)
Net cash from/(used in) investing activities		7	(1,676)
Net cash (used in)/from financing activities		(40)	82,850
Effect on cash flows		(155)	1,669

Effect of disposal on the financial position of the Group

	2018 RM'000	**2017 RM'000**
Property, plant and equipment	38	1,685
Deferred tax assets	-	2,848
Trade and other receivables	1,991	1,390
Inventories	53	144,032
Cash and cash equivalents	23	3,217
Trade and other payables	(5,083)	(77,909)
Borrowings	-	(83,506)
Effect of foreign currency difference	75	74
Non-controlling interest	2,158	(183)
Net liabilities	(745)	(8,352)
Gain on sale of discontinued operations	745	8,759
Consideration received, satisfied in cash	-	407
Cash and cash equivalent disposed of	(23)	(3,217)
Net cash outflow	(23)	(2,810)

Notes to the Financial Statements

22. (Loss)/Profit for the year

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(Loss)/Profit for the year is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
- Current year				
KPMG Malaysia	422	412	175	170
Overseas affiliates of KPMG Malaysia	106	156	-	-
Other auditors	71	30	-	-
- Underprovision in prior year KPMG Malaysia	52	5	-	-
- Non-audit fees				
- KPMG Malaysia	35	51	35	35
Depreciation of property, plant and equipment	4,849	5,458	226	226
Fair value loss on other investments	315	135	315	135
Finance cost on:				
- Bank overdraft	54	21	-	-
- Loans	2,069	3,456	-	-
- Other borrowings	1,742	557	19	28
Impairment losses:				
- Trade receivables	194	962	-	-
- Amounts due from subsidiaries	-	-	17,267	-
- Investments in subsidiaries	-	-	6,107	-
- Goodwill	-	8,513	-	-
Loss on disposal of investment property	-	3	-	-
Loss on disposal of other investment	-	20	-	20
Loss on disposal of property, plant and equipment	35	585	-	-
Loss on disposal of subsidiary	49	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	2,375	2,868	425	437
- Wages, salaries and others	22,627	36,162	3,894	3,970
Property, plant and equipment written off	198	202	-	-
Realised loss on foreign exchange	18	54	560	74
Rental expense	2,519	2,426	-	-
Unrealised loss on foreign exchange	6,382	8,873	3,586	14,743

22. (Loss)/Profit for the year (continued)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
and after crediting:				
Dividend income from:				
- Subsidiaries	-	-	818	842
- Associates	4,452	4,816	-	-
- Joint ventures	17,500	-	-	-
Fair value gain on other investments	13	-	13	-
Gain on disposal of equity interest in subsidiaries	745	8,759	-	-
Gain on disposal of property, plant and equipment	2,205	250	-	-
Finance income:				
- Subsidiaries	-	-	4,809	9,498
- Others	3,677	3,594	1,261	873
Impairment losses no longer required:				
- Property, plant and equipment	1,632	-	-	-
- Trade receivables	217	119	-	-
Realised gain on foreign exchange	1,146	40	-	10,961
Rental income on premises	42	25	-	-
Unrealised gain on foreign exchange	971	1,523	2,273	2,944

23. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2018			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	3,511	-	3,511
2017			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(3,899)	-	(3,899)

Notes to the Financial Statements

24. Earnings/(Loss) per ordinary share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2018 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
2018			
Profit attributable to ordinary shareholders	2,054	62	2,116
2017			
(Loss)/Profit attributable to ordinary shareholders	(26,223)	2,401	(23,822)

	Group	
	2018 '000	**2017 '000**
Weighted average number of ordinary shares at 31 December	838,018	676,167

	2018 Sen	2017 Sen
From continuing operations	0.24	(3.88)
From discontinued operation	0.01	0.36
Basic earnings/(loss) per ordinary share	0.25	(3.52)

Diluted earnings/(loss) per ordinary share

The potential ordinary shares i.e. warrants are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares at the end of the reporting period. Accordingly, the diluted earnings per share is not presented.

Notes to the Financial Statements

25. Dividends

Dividends recognised by the Company:

	Total amount RM'000	Date of payment
2018		
First and final single tier dividend of 1 sen per share	6,731	19 July 2018
2017		
First and final share dividend of one (1) treasury share for every eighteen (18) existing ordinary shares held	21,898	12 July 2017

After the end of the reporting period, the following first and final dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

26. Operating segments

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Operating Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Segment 1: Includes constructions.
- Segment 2: Includes concessions.
- Segment 3: Includes trading and services.
- Segment 4: Includes property development.

The sales and services are aggregated to form a reportable segment as trading and services due to similar nature and economic characteristics. The nature, processes and accounting treatment of the trading and services industry are similar.

The accounting policies of the reportable segments are the same as described in Note 2(u).

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

26. Operating segments (continued)

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire assets other than goodwill.

Group 2018	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Segment profit/(loss)	6,813	5,770	5,682	(7,139)	11,126	(377)	10,749
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	103,125	1,481	20,008	5,607	130,221	471	130,692
Share of profit of associate	-	4,333	(251)	(1,539)	2,543	-	2,543
Share of profit of joint ventures	8,293	-	32	-	8,325	-	8,325
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(995)	-	(3,853)	(1)	(4,849)	(195)	(5,044)
Finance costs	(781)	-	(367)	(2,717)	(3,865)	(40)	(3,905)
Finance income	2,772	11	1	893	3,677	7	3,684
Tax expense	(1,260)	(1)	(956)	(7)	(2,224)	(1)	(2,225)

26. Operating segments (continued)

Group 2018	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Segment assets	331,085	27,796	72,650	177,879	609,410	-	609,410
Included in the measure of segment assets are:							
Investment in associates	-	27,369	(541)	12,321	39,149	-	39,149
Investment in joint ventures	24,029	-	15,987	-	40,016	-	40,016
Additions to non-current assets other than financial instruments and deferred tax assets	676	-	5,035	-	5,711	-	5,711
2017							
Segment profit/(loss)	(4,033)	6,262	(16,219)	(5,855)	(19,845)	523	(19,322)
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	83,860	1,571	20,361	100,700	206,492	1	206,493
Share of profit of associate	-	4,827	(486)	(1,179)	3,162	-	3,162
Share of profit of joint ventures	13,642	-	(1,183)	-	12,459	-	12,459

26. Operating segments (continued)

Group

2017	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(899)	-	(4,558)	(1)	(5,458)	690	(4,768)
Finance costs	(148)	-	(379)	(3,507)	(4,034)	(656)	(4,690)
Finance income	2,753	9	478	354	3,594	9	3,603
Tax expense	60	4	(620)	3,263	2,707	2,848	5,555
Segment assets	268,827	25,888	113,654	220,536	628,905	-	628,905
Included in the measure of segment assets are:							
Investment in associates	-	27,488	(289)	15,527	42,726	-	42,726
Investment in joint ventures	33,235	-	15,955	-	49,190	-	49,190
Additions to non-current assets other than financial instruments and deferred tax assets	509	-	2,678	-	3,187	1,685	4,872

26. Operating segments (continued)

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

	Group 2018 RM'000	Group 2017 RM'000
Profit or loss		
Total profit or loss for reportable segments	11,126	(19,845)
Depreciation and amortisation	(4,849)	(5,458)
Finance costs	(3,865)	(4,034)
Finance income	3,677	3,594
Unrealised and realised foreign exchange differences	(4,283)	(7,364)
Unallocated expenses:		
Corporate expenses	(3,368)	(1,678)
Consolidated loss before tax from continuing operations	(1,562)	(34,785)
(Loss)/Profit from discontinued operation, net of tax	(607)	2,035
Consolidated loss before tax	(2,169)	(32,750)

Geographical segments

The constructions, concessions, trading and services and property development are managed on a worldwide basis, but operations are in Malaysia, the United Kingdom, Norway, China, Vietnam and other countries.

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates and joint ventures) and deferred tax assets.

	Geographical information			
Group	**Revenue 2018 RM'000**	**Non-current assets 2018 RM'000**	**Revenue 2017 RM'000**	**Non-current assets 2017 RM'000**
Malaysia	127,823	58,694	198,406	54,277
The United Kingdom	2,371	9,113	3,441	35,930
Norway	-	-	1,309	1,772
Vietnam	-	102	-	-
China	27	5	138	6
Other countries	-	-	3,198	-
	130,221	67,914	206,492	91,985
Discontinued operation	471	38	1	4,533
	130,692	67,952	206,493	96,518

26. Operating segments (continued)

Major customers

The Group did not specifically rely on concentrated customers as majority of the revenue of the Group are contract based. The following are major customers with revenue equal or more than 10% of the Group's total revenue:

All common control of Companies	Revenue 2018 RM'000	2017 RM'000	Segment
- Customer A	26,120	21,767	Construction
- Customer B	27,090	-	Construction
- Customer C	11,016	-	Trading and services
- Customer D	8,228	-	Construction

27. Financial instruments

27.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")

	2018		
	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	238	-	238
Trade and other receivables	141,852	141,852	-
Cash and cash equivalents	115,147	115,147	-
	257,237	256,999	238
Company			
Other investments	238	-	238
Trade and other receivables	318,239	318,239	-
Cash and cash equivalents	74,955	74,955	-
	393,432	393,194	238

27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

	2018 Carrying amount RM'000	AC RM'000
Financial liabilities		
Group		
Loans and borrowings	(48,381)	(48,381)
Trade and other payables	(79,297)	(79,297)
	(127,678)	(127,678)
Company		
Loans and borrowings	(299)	(299)
Trade and other payables	(41,831)	(41,831)
	(42,130)	(42,130)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables ("L&R")
(b) Available-for-sale financial assets ("AFS")
(c) Financial liabilities measured at amortised cost ("FL")

	2017		
	Carrying amount RM'000	L&R/(FL) RM'000	AFS RM'000
Financial assets			
Group			
Other investments	540	-	540
Trade and other receivables	160,713	160,713	-
Cash and cash equivalents	133,811	133,811	-
	295,064	294,524	540
Company			
Other investments	540	-	540
Trade and other receivables	366,678	366,678	-
Cash and cash equivalents	42,954	42,954	-
	410,172	409,632	540

Notes to the Financial Statements

27. Financial instruments (continued)

27.1 Categories of financial instruments (continued)

	2017 Carrying amount RM'000	L&R RM'000
Financial liabilities		
Group		
Loans and borrowings	(66,628)	(66,628)
Trade and other payables	(69,797)	(69,797)
	(136,425)	(136,425)
Company		
Loans and borrowings	(505)	(505)
Trade and other payables	(28,310)	(28,310)
	(28,815)	(28,815)

27.2 Net gains and losses arising from financial instruments

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net (losses)/gains on:				
Financial assets at fair value through profit or loss	(302)	-	(302)	-
Financial assets at amortised cost	5,794	-	8,343	-
Available-for-sale financial assets	-	(155)	-	(155)
Loans and receivables	-	5,157	-	24,276
Financial liabilities measured at amortised cost	(10,265)	(12,961)	(4,165)	(14,845)
	(4,773)	(7,959)	3,876	9,276
Reversal of impairment of financial instruments:				
Financial assets at amortised cost	23	-	-	-
Net loss on impairment of financial instruments:				
Financial assets at amortised cost	-	(843)	(17,267)	-

27.3 Financial risk management

The Group and the Company have exposure to the following risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements

27. Financial instruments (continued)

27.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantees given to banks for credit facilities granted to the subsidiaries.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Notes to the Financial Statements

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:

	Group	
	2018 RM'000	**2017 RM'000**
Domestic	116,654	94,575
Sri Lanka	1,832	-
Vietnam	602	-
China	-	-
India	4,177	4,177
United Kingdom	3,046	5,898
Others	-	181
	126,311	104,831

Recognition and measurement of impairment losses

For construction contracts, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

		2018	
Group	**Gross carrying amount RM'000**	**Loss allowances RM'000**	**Net balance RM'000**
2018			
Not past due	85,468	-	85,468
Past due 1 - 30 days	2,996	-	2,996
Past due 31 - 60 days	3,957	-	3,957
Past due 61 - 90 days	6,476	-	6,476
	98,897	-	98,897
Credit impaired			
More than 90 days past due	27,029	(6)	27,023
Individually impaired	8,898	(8,507)	391
	134,824	(8,513)	126,311

Notes to the Financial Statements

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Although certain trade receivables have become past due and exceeded the credit terms granted to them, the Directors are reasonably confident that all debts can be recovered within the next 12 months.

The movements in the allowance for impairment in respect of trade receivables and contract assets during the year are shown below.

	Group 2018 Credit impaired RM'000	Total RM'000
Balance at beginning of year as per MFRS 9	(8,557)	(8,557)
Amounts written off	21	21
Net remeasurement of loss allowance	23	23
Balance at end of year	(8,513)	(8,513)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	69,741	-	69,741
Past due 1 - 30 days	13,533	-	13,533
Past due 31 - 120 days	12,402	-	12,402
Past due more than 120 days	17,712	(8,557)	9,155
	113,388	(8,557)	104,831

27. Financial instruments (continued)

27.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2017 RM'000
At beginning of year	(9,667)
Impairment loss recognised	(962)
Impairment loss written off	1,953
Impairment loss reversed	119
At end of year	(8,557)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from advances provided to sub-contractors for construction projects. These advances will be offset against progress billings received from these sub-contractors during the course of the construction works. The Group manages the credit risk together with the trade payables.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

27. Financial instruments (continued)

27.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM101,366,000 (2017: RM99,568,000) representing the outstanding banking facilities of the subsidiaries and joint ventures that was supported by the financial guarantee issued by the Company as at end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' and joint ventures secured loans.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries, associates and joint ventures. The Company monitors the results of the subsidiaries, associates and joint ventures regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their respective carrying amounts in the statements of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries, associates and joint ventures have low credit risk. The Company considers a subsidiary, associate and joint venture's loan or advance to be credit impaired when:

- The subsidiary, associate or joint venture is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary, associate or joint venture is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The movement in the allowance for impairment in respect of subsidiaries' advances during the year is as follows:

Company	2018 Impairment loss allowance RM'000
Balance at beginning of year as per MFRS 9	-
Amount written off	-
Net remeasurement of loss allowance	17,267
Balance at end of year	17,267

27. Financial instruments (continued)

27.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arise principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2018	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans (secured)	22,723	6.01-6.36%	23,362	20,305	295	879	1,883
Bank overdraft (unsecured)	1,430	8.15-9.15%	1,430	1,430	-	-	-
Finance lease liabilities	6,874	2.85-6.18%	7,594	2,551	2,963	2,080	-
Bankers' acceptance (unsecured)	10,354	-	10,354	10,354	-	-	-
Revolving credits (unsecured)	7,000	-	7,000	7,000	-	-	-
Trade and other payables	68,734	-	69,797	69,797	-	-	-
Other payables	10,563	8.40%	10,563	10,563	-	-	-
	127,678		130,100	122,000	3,258	2,959	1,883
Company							
Non-derivative financial liabilities							
Finance lease liabilities	299	4.66%	309	225	84	-	-
Financial guarantees	-	-	101,366	101,366	-	-	-
Trade and other payables	41,831	-	41,831	41,831	-	-	-
	42,130		143,506	143,422	84	-	-

27. Financial instruments (continued)

27.5 Liquidity risk (continued)

Maturity analysis (continued)

2017	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans (secured)	43,555	5.92-8.97%	46,210	45,452	301	457	-
Bank overdraft (unsecured)	4,803	8.15-9.15%	4,803	4,803	-	-	-
Finance lease liabilities	6,881	2.85-6.18%	7,694	2,129	3,972	1,593	-
Bankers' acceptance (unsecured)	3,389	-	3,389	3,389	-	-	-
Revolving credits (unsecured)	8,000	-	8,000	8,000	-	-	-
Trade and other payables	56,297	-	56,297	56,297	-	-	-
Other payables	13,500	8.35%	13,500	13,500	-	-	-
	136,425		139,893	133,570	4,273	2,050	-
Company							
Non-derivative financial liabilities							
Finance lease liabilities	505	4.66%	533	224	309	-	-
Financial guarantees	-	-	99,568	99,568	-	-	-
Trade and other payables	28,310	-	28,310	28,310	-	-	-
	28,815		128,411	128,102	309	-	-

Notes to the Financial Statements

27. Financial instruments (continued)

27.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

As at the end of the reporting period, the Group is not exposed to other price risks.

27.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD"), United States Dollar ("USD"), Sri Lanka Rupee ("LKR"), Indian Rupee ("INR") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

The Group ensure that the net exposure is kept to an acceptable level by monitoring the fluctuation of the foreign currencies.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

			Denominated in		
	SGD	**USD**	**LKR**	**INR**	**GBP**
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group					
Trade receivables	-	59	1,832	153	3,046
Cash and cash equivalents	8,279	5,111	10,302	54	20,943
Trade payables	-	-	(4,305)	(15)	(49)
Contract assets	-	-	-	4,024	-
Net exposure	8,279	5,170	7,829	4,216	23,940

			Denominated in		
	SGD	**USD**	**LKR**	**INR**	**GBP**
2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group					
Trade receivables	-	143	-	153	5,898
Cash and cash equivalents	33,275	9,357	5,703	54	3,155
Trade payables	-	-	(255)	(17)	(51)
Contract assets	-	-	-	4,024	-
Net exposure	33,275	9,500	5,448	4,214	9,002

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have Ringgit Malaysia as functional currency. The exposure to currency risk of Group entities which do not have a Ringgit Malaysia functional currency is not material and hence, sensitivity analysis is not performed.

A 10 percent strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity		Profit or loss	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
SGD	629	2,529	629	2,529
USD	233	525	393	722
LKR	599	418	595	414
INR	321	321	320	320
GBP	549	(545)	1,819	684
	2,331	3,248	3,756	4,669

A 10 percent weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect to the amounts shown on the above currencies, on the basis that all other variables remain constant.

27.6.2 Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrowed for operations at variable rates using its overdrafts, revolving credit, bankers' acceptance and term loan facilities, and use fixed rate finance lease agreements to finance capital expenditure. Deposits are placed with established banks or financial institutions at the prevailing market rate.

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	59,475	85,338	208,039	172,113
Financial liabilities	(6,874)	(6,881)	(299)	(505)
	52,601	78,457	207,740	171,608
Floating rate instruments				
Financial assets	20,467	20,356	167,291	179,077
Financial liabilities	(41,507)	(59,747)	-	-
	(21,040)	(39,391)	167,291	179,077

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

27. Financial instruments (continued)

27.6 Market risk (continued)

27.6.2 Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
2018				
Floating rate instruments	(160)	160	1,271	(1,271)
2017				
Floating rate instruments	(299)	299	1,361	(1,361)

27.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

27. Financial instruments (continued)

27.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Other investments	238	-	-	238	-	-	-	-	238	238
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(22,723)	(22,723)	(22,723)	(22,723)
Finance lease liabilities	-	-	-	-	-	-	(6,760)	(6,760)	(6,760)	(6,874)
	-	-	-	-	-	-	(29,483)	(29,483)	(29,483)	(29,597)
Company										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(290)	(290)	(290)	(299)

27. Financial instruments (continued)

27.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(43,555)	(43,555)	(43,555)	(43,555)
Finance lease liabilities	-	-	-	-	-	-	(6,700)	(6,700)	(6,700)	(6,881)
	-	-	-	-	-	-	(50,255)	(50,255)	(50,255)	(50,436)
Company										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(467)	(467)	(467)	(505)

27. Financial instruments (continued)

27.7 Fair value of information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Non-derivative financial asset and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the interest rate determined at the end of the reporting period.

For finance leases, the market rate of interest is determined by reference to similar lease agreements. For unsecured term loans, the carrying amounts approximate the fair value as they bear variable rates of interest determined based on a margin over the lender bank's base lending rate.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2018	2017
Group		
Finance lease liabilities	3.53%	3.53%
Company		
Finance lease liabilities	4.66%	4.66%

28. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 December 2018 and at 31 December 2017 were as follows:

	Group	
	2018 **RM'000**	**2017** **RM'000**
Total loans and borrowings (Note 16)	48,381	66,628
Less: Cash and cash equivalents (Note 14)	(115,147)	(133,811)
Net debt	(66,766)	(67,183)
Total equity	473,011	485,128
Debt-to-equity ratio	-	-

There was no change in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

The Group is also required to maintain a debt-to-equity ratio at no more than 1.25 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has complied with this requirement.

29. Contingent liabilities

The unrecognised contingent liabilities of the Group and the Company at the end of the reporting period are summarised as below:

	Group		Company	
	2018 **RM'000**	**2017** **RM'000**	**2018** **RM'000**	**2017** **RM'000**
Bank guarantees given to financial institutions in respect of facilities granted to				
- subsidiaries	-	-	294,543	403,574
- joint venture	13,800	13,800	13,800	13,800
Guarantees given in favour				
Bank guarantee given to third parties relating to performance, tender and advance payment bonds	58,833	33,159	-	-

Notes to the Financial Statements

30. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationships with its subsidiaries (see Note 6), associates (see Note 7), joint ventures (see Note 8) and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 19.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 11 and 17.

	Transaction value for year ended 31 December	
	2018	**2017**
	RM'000	**RM'000**
Group		
Entity in which a Director has interest		
- disposal of interest in shares of subsidiary	-	398
Company		
Subsidiaries		
- interest income	(4,809)	(9,498)

31. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 RM'000	Group 2017 RM'000
Less than one year	858	826
Between one and five years	565	1,404
	1,423	2,230

The Group leases offices and office equipment under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

32. Capital and other commitments

	Group 2018 RM'000	Group 2017 RM'000
Capital expenditure commitments		
Contracted but not provided for	4,597	3,623

Notes to the Financial Statements

33. Material acquisition of subsidiary and non-controlling interests

Acquisition of subsidiary – Green Fleet Sdn. Bhd. (formerly known as Crystal Expertise Sdn. Bhd.)

On 26 June 2018, the Group had acquired 100% of the entire issued and registered capital of Green Fleet Sdn. Bhd. (formerly known as Crystal Expertise Sdn. Bhd.) ("Green Fleet") for a total cash consideration of RM1,430,000.

On 30 July 2018, the Group has entered into a Supplemental Letter with the seller to reduce the cash consideration for the acquisition of shares to RM1,280,000. The number of shares purchased remain unchanged.

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Group 2018 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	1,280
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1,784
Trade receivables	149
Other receivables	2,278
Cash and cash equivalents	109
Trade and other payables	(777)
Loans and borrowings	(3,310)
Total identifiable net assets	233
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	891
Purchase consideration yet to be settled in cash and cash equivalents	389
Cash and cash equivalents acquired	(109)
	1,171
Goodwill	
Total consideration transferred	1,280
Fair value of identifiable net assets	(233)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	114
Goodwill upon acquisition	1,161
Less: Goodwill impaired	-
	1,161

33. Material acquisition of subsidiary and non-controlling interests (continued)

Acquisition of subsidiary – Beijing Xinlian Yitong Technology Co. Ltd.

On 3 February 2017, the Group had acquired 100% of the entire issued and registered capital of Beijing Xinlian Yitong Technology Co. Ltd. ("BXYT") for a total cash consideration of RM5,050,000 (HKD9.6 million).

BXYT was incorporated in People's Republic of China on 25 November 2011 as a private limited company and its principal activity is within the domain of providing online tourism and marketing services in China.

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Group 2017 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	5,050
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2
Prepayments	470
Other receivables	105
Cash and cash equivalents	-
Trade and other payables	(1,995)
Total identifiable net liabilities	(1,418)
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	5,050
Cash and cash equivalents acquired	-
	5,050
Goodwill	
Total consideration transferred	5,050
Fair value of identifiable net liabilities	1,418
Goodwill upon acquisition	6,468
Less: Goodwill impaired	(6,468)
	-

33. Material acquisition of subsidiary and non-controlling interests (continued)

Acquisition of subsidiary – Rayvn AS

On 16 February 2017, the Group had acquired 100,000 ordinary shares in Rayvn AS ("RAS") for a total purchase consideration of NOK1.5 million. On the same day, the Group had subscribed 818,182 ordinary shares of NOK4.278 each in RAS for a consideration of NOK3.5 million.

RAS' principal activity is in the domain of developing and selling a web-based software solution for crisis management.

The following summarises the major classes of consideration transferred, and the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Group 2017 RM'000
Fair value of consideration transferred	
Cash and cash equivalents	782
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2,101
Other receivables	213
Cash and cash equivalents	11
Trade and other payables	(2,322)
Total identifiable net liabilities	3
Net cash outflow arising from acquisition of subsidiary	
Purchase consideration settled in cash and cash equivalents	782
Cash and cash equivalents acquired	(11)
	771
Goodwill	
Total consideration transferred	782
Fair value of identifiable net liabilities	(3)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	1
Goodwill upon acquisition	780
Less: Goodwill impaired	(780)
	-

Notes to the Financial Statements

34. Significant events

Significant events during the year are as follows:

i) Salcon Power (HK) Limited

On 27 February 2018, the Group's wholly-owned subsidiary, Salcon Power (HK) Limited ("SPL") entered into an agreement with ACP Solar Limited ("ASL") on the disposal of 983 units of solar photovoltaic electricity generating systems for a consideration of RM21,000,000 (GBP3.9 million).

On 8 November 2018, SPL has entered into another agreement with ASL for the disposal of 208 units of solar photovoltaic electricity generating systems for a consideration of RM5,100,000 (GBP950,000).

ii) Green Fleet Sdn. Bhd. (formerly known as Crystal Expertise Sdn. Bhd.)

On 26 June 2018, Eco-Coach & Tours (M) Sdn. Bhd. ("ECT"), a 51.3%-owned subsidiary of Salcon Capital Sdn. Bhd. ("SCSB") which in turn is a wholly-owned subsidiary of the Company, had entered into a Share Purchase Agreement with Dato' Lee Soon Ann, Datin Li Jing and Li Xiao Chun (collectively known as "seller") to acquire 1,000,000 ordinary shares, representing 100% equity interest in Green Fleet Sdn. Bhd. (formerly known as Crystal Expertise Sdn. Bhd.) ("Green Fleet") for a total cash consideration of RM1,430,000. Following the acquisition, Green Fleet had become a wholly-owned subsidiary of ECT, which in turn is a 51.3%- owned subsidiary of SCSB, a wholly-owned subsidiary of the Company.

On 30 July 2018, ECT has entered into a Supplemental Letter with the seller to reduce the cash consideration for the acquisition of shares to RM1,280,000. The number of shares purchased remain unchanged.

On 13 September 2018, Crystal Expertise Sdn. Bhd. ("CESB") had changed its name to Green Fleet Sdn. Bhd. ("Green Fleet").

iii) Logit Sdn. Bhd. (formerly known as Salcon ELU Sdn. Bhd.)

On 20 September 2018, Salcon ELU Sdn. Bhd. had changed its name to Logit Sdn. Bhd..

iv) Rayvn AS

On 18 September 2018, Logit Sdn. Bhd. (formerly known as Salcon ELU Sdn. Bhd.) has entered into a Share Sale Agreement with Total Safety AS ("TSA") and Enovate AS ("ENOVATE") to dispose of 918,182 ordinary shares in Rayvn AS ("RAS"), representing 50.5% equity interest in RAS for a total cash sales consideration of NOK1.00. Following the disposal, RAS ceased to be an indirect subsidiary of the Company.

v) Salcon Green Energy (UK) Limited

On 22 May 2018, Salcon Green Energy (UK) Limited ("SGE"), a wholly-owned subsidiary of Salcon Power Sdn. Bhd., a wholly-owned subsidiary of Salcon Engineering Berhad which in turn is a wholly-owned subsidiary of the Company, has been dissolved via a voluntary striking off. The issued and paid up share capital of SGE consist of 10,000 ordinary shares at GBP1.00 each.

Notes to the Financial Statements

35. Subsequent events

On 28 January 2019, the Company's wholly-owned subsidiary, namely Satria Megajuta Sdn. Bhd. ("SMSB") has increased its issued and paid-up share capital from RM2 to RM1,000,000 for a total cash consideration of RM999,998. Following the subscription, SMSB remained a wholly-owned subsidiary of the Company.

36. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers and MFRS 9*, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

36.1 Impacts on financial statements

There is no significant impact arising from the adoption of MFRS 9 and MFRS 15 on the Company's financial statements, other than the classification of financial instruments.

36.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application the determination of the business model within which a financial asset is held;

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

Notes to the Financial Statements

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

Category under MFRS 139	Notes	31 December 2017 RM'000	1 January 2018 Reclassification to new MFRS 9 category Amortised cost ("AC") RM'000	Fair value through profit or loss ("FVTPL") RM'000
Group				
Financial assets				
Loans and receivables	(i)			
Trade and other receivables		110,925	110,925	-
Cash and cash equivalents		133,811	133,811	-
		244,736	244,736	-
Available-for-sale	(ii)			
Other investments		540	-	540
Company				
Financial assets				
Loans and receivables	(i)			
Trade and other receivables		366,678	366,678	-
Cash and cash equivalents		42,954	42,954	-
		409,632	409,632	-
Available-for-sale	(ii)			
Other investments		540	-	540

Notes to the Financial Statements

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued):

		1 January 2018 Reclassification to new MFRS 9 category
Category under MFRS 139	**31 December 2017 RM'000**	**Amortised cost ("AC") RM'000**
Group		
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans and borrowings	66,628	66,628
Trade and other payables	69,601	69,601
	136,229	136,229
Company		
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans and borrowings	505	505
Trade and other payables	28,310	28,310
	28,815	28,815

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified as amortised cost.

(ii) Reclassification from AFS to FVTPL

These are equity investments which are not held for strategic purposes. As a result, the carrying amount was reclassified from available-for-sale to fair value though profit or loss.

36.3 Accounting for revenue

In the adoption of MFRS 15, the Company has not adopted any practical expedients as permitted by the standard.

There is no material changes in revenue recognition from the adoption of MFRS 15.

Statement by Directors

pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 97 to 202 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………………………..
Tan Sri Dato' Tee Tiam Lee
Director

…………………………………………………………..
Dato' Leong Kok Wah
Director

Kuala Lumpur

Date: 5 April 2019

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Law Woo Hock,** the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 97 to 202 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Law Woo Hock, NRIC: 640630-07-5353, MIA CA 7714 at Kuala Lumpur in the Federal Territory on 5 April 2019.

…………………………………..
Law Woo Hock

Before me:

Samugam Vassoo AMN
(W632)
Commissioner of Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Salcon Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on page 97 to 202.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adopting MFRS 15 *Revenue from Contracts with Customers*

Refer to Note 2(p) – Significant accounting policy: Revenue and other income and Note 18 – Revenue.

The key audit matter

MFRS 15 Revenue from Contracts with Customers became effective on 1 January 2018. Arising from the adoption of MFRS 15, the Group was required to change accounting policies and implement new disclosures in the financial statements on revenue recognition from its various significant long term construction contracts.

The recognition of revenue and costs, and hence profit on these contracts are assessed by reference to the proportion of contract costs incurred for the work performed to-date bear to the estimated total costs of the contract at completion.

Independent Auditors' Report
to the members of Salcon Berhad

The key audit matter (continued)

Revenue on contracts is a key audit matter for our audit because of the judgment and estimates involved in preparing the estimated total costs of the contract at completion. An error in the estimated total costs of the contract at completion could result in a material misstatement in the revenue and amount of profit or loss recognised to-date and in the current period.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- challenging senior operational, commercial and financial management's judgement by obtaining and assessing information to support the estimated total costs. These assumptions included in the estimated total costs are the expected recovery of variations, claims and compensation events;
- evaluating the reasonableness of the estimated total costs of the contract at completion by assessing the basis of their calculation, which included supplier quotes and contracts and other relevant costs in deriving the estimates;
- evaluating the appropriateness of the accounting policies based on the requirements of MFRS 15, our business understanding and industry practice;
- assessing the appropriateness of management's revenue recognition under MFRS 15 across significant revenue streams for a sample of contracts; and
- assessing the completeness, accuracy and relevance of disclosures required by MFRS 15.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditor report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, Statement on Risk Management and Internal Control, (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Independent Auditors' Report

to the members of Salcon Berhad

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Independent Auditors' Report

to the members of Salcon Berhad

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval Number: 02948/05/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 5 April 2019

Particulars of Group Properties

The properties of the Group as at 31 December 2018 and their net book values ("NBV") are indicated below:

FREEHOLD BUILDINGS AND LAND

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	149 sq. metres of intermediate unit 1½ storey terraced factory	22 years	14/03/2002	228
Envitech Sdn Bhd	HS(D) 3422, Lot No. 3988, Mukim Damansara, Daerah Petaling, Selangor/No. 67, Jalan SS15/5A, 47500 Subang Jaya, Selangor Darul Ehsan	164 sq. metres of intermediate unit 3 storey terraced shop-office	39 years	15/03/2002	761
Envitech Sdn Bhd	No.79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	14 years	15/05/2013	1,008
Envitech Sdn Bhd	No.81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	14 years	15/05/2013	1,211
Eco-Coach & Tours (M) Sdn Bhd	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	13 years	23/01/2013	828
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	13 years	23/01/2013	828
Green Fleet Sdn. Bhd. (f.k.a. Crystal Expertise Sdn. Bhd.)	HSD 67562 Lot PT 64284, Mukim Klang, Daerah Klang, Selangor Darul Ehsan	8,094 sq. metres of industrial lot	5 years	26/06/2018	187
					5,051

Particulars of Group Properties

INVESTMENT PROPERTIES

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Property held under GRN 227594 Lot 5109 (formerly held under HS(D) 62070 PT 2074) Mukim Beranang, District of Ulu Langat, State of Selangor (BM9/2C)	12,000 sq ft of bungalow plot	16 years	28/11/2002	230
Envitech Sdn Bhd	Bungalow Lot No. BB-034 Bandar Mahkota Banting, measuring an area approximately 465 square metres bearing postal address at No. 42, Jalan Angkasa 1A/5 Bandar Mahkota Banting, 42700 Banting, Selangor held under master title Geran 100210 Lot 19601 Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor	465 sq. metres of bungalow plot	10 years	22/10/2009	89
Envitech Sdn Bhd	Industrial Land Lot No. 98 Section 4, Phase 2C, Selangor Halal-Hub Pulau Indah measuring an area approximately 0.50 acre (21,780 square feet) held under master title PN 7939 Lot No. 74076 District and Mukim Kelang, State of Selangor	0.5 acre of industry	10 years	24/07/2009	494
Envitech Sdn Bhd	Unit No. 2, Corner Ground Floor, Block E Shop & Office At Pulau Melaka	3,358 sq. ft. of corner ground shop & office	9 years	1/11/2011	781
Envitech Sdn Bhd	Unit No. 7, Intermediate Ground Floor, Block .K Shop & Office At Pulau Melaka	1,540 sq. ft. of intermediate ground shop & office	9 years	1/11/2011	367
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	9 years	10/11/2011	284

Particulars of Group Properties

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	9 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	9 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	9 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	9 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	9 years	10/11/2011	306
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	9 years	10/11/2011	406
Envitech Sdn Bhd	Unit No. Parcel 12A, 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	7 years	22/11/2012	367
Envitech Sdn Bhd	Unit No. Parcel 12, LOT151 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	7 years	22/11/2012	372
Envitech Sdn Bhd	Unit No. Parcel 10, LOT 152 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	7 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 8, LOT 153 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	7 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 6, 154 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	7 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 2A, LOT 155 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	7 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 27-1, LOT 329 (55-1), 1ST Floor, Block U Shop & Office At Pulau Melaka	3,007 sq. ft. of corner shop	7 years	22/11/2012	301

Particulars of Group Properties

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Unit No. Parcel 28-1, LOT 315 (41-1), 1ST Floor, Block S Shop & OfficeAt Pulau Melaka	2,626 sq. ft. of corner shop	7 years	22/11/2012	323
Envitech Sdn Bhd	Unit No. Parcel 21-1, LOT 338 (84-1), 1ST Floor, Block W Shop & Office At Pulau Melaka	2,885 sq. ft. of corner shop	7 years	22/11/2012	289
Envitech Sdn Bhd	Unit No. Parcel 61-2A, LOT 207 (191-2A), 2ND Floor, Block J Shop & Office At Pulau Melaka	1,531 sq. ft. of corner shop	7 years	22/11/2012	201
Envitech Sdn Bhd	Unit No. Parcel 61-2B, LOT 207 (191-2B), 2ND Floor, Block J Shop & Office At Pulau Melaka	1,418 sq. ft. of corner shop	7 years	22/11/2012	136
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1.	1,555 sq. ft. of service apartment	11 years	31/12/2015	550
					8,201

Particulars of Group Properties

LAND HELD FOR PROPERTY DEVELOPMENT

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Nusantara Megajuta Sdn Bhd	H.S.(D) 482930, No P.T.B. 22841, Bandar Johor Bahru, Daerah Johor Bahru, Johor Darul Ta'zim	10,077 sq. metres	99 years leasehold expiring on 7/6/2109	14/10/2014	21,305
Nusantara Megajuta Sdn Bhd	H.S.(D) 482931, No P.T.B. 22842, Bandar Johor Bahru, Daerah Johor Bahru, Johor Darul Ta'zim	41,399 sq. metres	99 years leasehold expiring on 7/6/2109	14/10/2014	87,526
					108,831

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

I. Analysis of Shareholdings

Number of issued shares		:	847,113,655 ordinary shares (including 28,541,127 treasury shares held)
Class of shares		:	Ordinary share
Voting rights :	On show of hands	:	One vote for each shareholder
	On poll	:	One vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Shares (%)
Less than 100	1,353	66,789	0.008
100 – 1,000	942	227,966	0.028
1,001 – 10,000	2,878	14,264,538	1.743
10,001 – 100,000	4,770	149,330,647	18.243
100,001 – less than 5% of issued shares	866	507,123,003	61.952
5% and above of issued shares	2	147,559,585	18.026
Total	10,811	818,572,528	100.00

List of Substantial Shareholders

	Direct Interest		Indirect Interest	
Name of Substantial Shareholders	No. of shares	Percentage of issued shares (%)	No. of shares	Percentage of issued shares (%)
Naga Muhibah Sdn. Bhd.	88,019,610	10.753	-	-
Tan Sri Dato' Tee Tiam Lee	50,939,000	6.223	59,539,975 [(1)]	7.274
Dato' Seri (Dr.) Goh Eng Toon	3,034,721	0.371	88,019,610 [(2)]	10.753
Datin Goh Phaik Lynn	-	-	88,019,610 [(2)(ii)]	10.753
	-	-	395,831 [(3)]	0.048
	-	-	4,750,000 [(4)]	0.580
Dato' Leong Kok Wah	4,750,000	0.580	395,831 [(3)]	0.048
			88,019,610 [(5)]	10.753
Tee Xun Hao	205,832	0.025	59,539,975 [(1)]	7.274
Infra Tropika Sdn Bhd	59,539,975	7.274	-	-

Notes:

(1) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

(2) (i) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

(3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016

(4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016

(5) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
1	NAGA MUHIBAH SDN BHD	88,019,610	10.753
2	INFRA TROPIKA SDN BHD	59,539,975	7.274
3	TAN SRI DATO' TEE TIAM LEE	37,189,000	4.543
4	LEE THIAM LAI	36,990,625	4.518
5	KONG HON KONG	35,641,668	4.354
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG SWEE YEE (M09)	33,823,152	4.131
7	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	11,842,360	1.446
8	TENG LI LING	10,966,152	1.339
9	CHIN CHIN SEONG	9,375,000	1.145
10	PEMBINAAN PUNCA CERGAS SDN. BHD.	8,516,260	1.040
11	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	7,500,000	0.916
12	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,830,068	0.834
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	6,250,000	0.763
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	4,750,000	0.580
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEAP GEK @ YEAP POH CHIM	4,375,832	0.534

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

List of 30 Largest Shareholders (continued)

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
16	CHIN CHIN SEONG	4,214,100	0.514
17	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,112,516	0.502
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	3,624,521	0.442
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG HONG MING (MARGIN)	3,564,000	0.435
20	GHS STRATEGIC HOLDINGS SDN BHD	3,482,082	0.425
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	3,350,055	0.409
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	3,343,888	0.408
23	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,046,458	0.372
24	DATO’ SERI (DR.) GOH ENG TOON	3,034,721	0.371
25	DATO’ CHOONG MOH KHENG	2,998,332	0.366
26	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	2,846,250	0.347
27	GOLDEN FRESH SDN BHD	2,638,888	0.322
28	JFCB HOLDINGS SDN BHD	2,638,888	0.322
29	OOI CHENG SWEE @ WEE KWEE SWEE	2,605,902	0.318
30	CITIGROUP NOMINEES (ASING) SDN BHD CEP FOR ASIA PACIFIC PERFORMANCE	2,360,000	0.288
		409,470,303	50.022

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

Directors' Shareholdings

Name of Directors	Direct Interest No. of shares	Direct Interest Percentage of issued shares (%)	Indirect Interest No. of shares	Indirect Interest Percentage of issued shares (%)
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	50,939,000	6.223	59,745,807 [(1)]	7.299
Dato' Leong Kok Wah	4,750,000	0.580	395,831 [(2)]	0.048
			88,019,610 [(3)]	10.753
Dato' Choong Moh Kheng	2,998,332	0.366	8,516,260 [(4)]	1.040
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:

(1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through shares held by child (Tee Xun Hao).

(2) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016

(3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

(4) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

II. Analysis of Warrantholdings

Number of outstanding Warrant B	:	336,566,643
Exercise price	:	RM0.30
Exercise period	:	20 July 2018 to 19 July 2025
Exercise rights	:	Each warrant entitles the holder to subscribe for one new ordinary share in the Company
Voting rights	:	Not entitled to voting rights*

* Warrantholders are not entitled to any voting rights except for the events of winding-up, compromise or arrangement of the Company as set out in the Deed Poll dated 29 June 2018.

Distribution of Warrantholdings

Size of Warrantholdings	Number of Warrantholders	Number of Warrants	Percentage of Outstanding Warrants
Less than 100	2,093	68,149	0.020
100 – 1,000	770	345,684	0.103
1,001 – 10,000	4,094	17,421,665	5.176
10,001 – 100,000	2,470	74,209,393	22.049
100,001 – less than 5% of outstanding warrants	395	168,122,318	49.952
5% and above of outstanding warrants	3	76,399,434	22.700
Total	9,825	336,566,643	100.00

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

List of 30 Largest Warrantholders

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants
1	NAGA MUHIBAH SDN BHD	35,207,844	10.461
2	INFRA TROPIKA SDN BHD	23,815,990	7.076
3	TAN SRI DATO' TEE TIAM LEE	17,375,600	5.163
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR WONG SWEE YEE (M09)	10,000,000	2.971
5	CHIN CHIN SEONG	8,450,000	2.510
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR RHB SMALL CAP OPPORTUNITY UNIT TRUST	4,736,944	1.407
7	CHIN CHIN SEONG	3,850,000	1.143
8	AFFIN HWANG NOMINEES (ASING) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TANG XIAOLING	3,200,000	0.950
9	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG WYMIN (M09)	3,000,000	0.891
10	LEOW HONG YEN	3,000,000	0.891
11	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	3,000,000	0.891
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG (E-KLC)	2,825,000	0.839
13	PEMBINAAN PUNCA CERGAS SDN. BHD.	2,500,000	0.743
14	GOH SIEW MAY	2,190,200	0.650
15	NGA KOR KIAN	2,100,000	0.623

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

List of 30 Largest Warrantholders (continued)

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants
16	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW SHI SHEN (CCTS)	2,000,000	0.594
17	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	1,900,000	0.565
18	HEE YUEN SANG	1,800,000	0.534
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,726,743	0.513
20	HEAN CHEW	1,700,000	0.505
21	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,638,500	0.486
22	GHS STRATEGIC HOLDINGS SDN BHD	1,392,833	0.413
23	TAN TUAN SHEE	1,340,000	0.398
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,337,555	0.397
25	LEW YUEN KEE @ LEW AH KEE	1,300,000	0.386
26	DATO' SERI (DR.) GOH ENG TOON	1,213,888	0.361
27	GOLDEN FRESH SDN BHD	1,055,555	0.313
28	OOI CHENG SWEE @ WEE KWEE SWEE	1,042,361	0.309
29	KONG OON CHEE	1,000,000	0.297
30	LEE KEE SIONG	1,000,000	0.297
		146,699,013	43.586

Analysis of Shareholdings and Warrantholdings

as at 1 April 2019

Directors' Warrantholdings

	Direct Interest		Indirect Interest	
Name of Directors	**No. of warrants**	**Percentage of outstanding warrants (%)**	**No. of warrants**	**Percentage of outstanding warrants (%)**
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	20,375,600	6.054	23,898,323 [1]	7.101
Dato' Leong Kok Wah	1,900,000	0.565	158,332 [2]	0.047
			35,207,844 [3]	10.461
Dato' Choong Moh Kheng	-	-	2,500,000 [4]	0.743
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:

(1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through warrants held by child (Tee Xun Hao).

(2) Deemed interested through the warrants held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016

(3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

(4) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

Notice of Sixteenth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of Salcon Berhad ("the Company") will be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Conference Centre, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 19 June 2019 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. ***[Please see Note 2]***

2. To approve the payment of the first and final dividend via share distribution of treasury shares on the basis 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. **[Resolution 1]**

3. To approve the payment of Directors' fees of up to RM380,000 for the financial year ending 31 December 2019. **[Resolution 2]** ***[Please see Note 3]***

4. To approve the payment of Directors' benefits of up to an amount of RM220,000 for the period from the conclusion of the Sixteenth Annual General Meeting until the next Annual General Meeting of the Company. **[Resolution 3]** ***[Please see Note 3]***

5. To re-elect Dato' Leong Kok Wah, the Director who retires pursuant to Article 96 of the Company's Articles of Association. **[Resolution 4]** ***[Please see Note 4]***

6. To re-elect the following Directors who retire pursuant to Article 103 of the Company's Articles of Association:- ***[Please see Note 4]***

   i) Dato' Rosli Bin Mohamed Nor **[Resolution 5]**
   ii) Tan Sri Abdul Rashid Bin Abdul Manaf **[Resolution 6]**

7. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 7]** ***[Please see Note 5]***

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass, with or without modifications, the following resolutions:

8. **Ordinary Resolution**
   Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016 ***[Please see Note 6(a)]***

   "THAT subject always to the Companies Act 2016 ("Act"), the Articles of Association of the Company (and the Constitution of the Company being adopted upon the passing of the Special Resolution in Resolution 10 below), Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company **[Resolution 8]**

Notice of Sixteenth Annual General Meeting

for the time being and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Securities and THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company after the approval was given or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

9. **Ordinary Resolution**
Proposed Renewal of Authority for Share Buy-Back ***[Please see Note 6(b)]***

"THAT, subject always to the Companies Act 2016 ("Act"), the Articles of Association of the Company (and the Constitution of the Company being adopted upon the passing of the Special Resolution in Resolution 10 below), Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:- **[Resolution 9]**

(i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares') and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(i) the conclusion of the next annual general meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

Notice of Sixteenth Annual General Meeting

AND THAT the Directors of the Company be and hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(i) To cancel all or part of the Purchased Shares;
(ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
(iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
(iv) To resell all or part of the treasury shares;
(v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
(vi) To transfer all or part of the treasury shares as purchase consideration;
(vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
(viii) To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

10. **Special Resolution**
Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration") ***[Please see Note 6(c)]***

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in the Annexure A attached herewith with effect from the date of passing of this special resolution. **[Resolution 10]**

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

11. To consider any other business of which due notice shall have been given.

Notice of Sixteenth Annual General Meeting

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of the shareholders of the Company at the Sixteenth Annual General Meeting to be held on 19 June 2019, a first and final dividend will be paid via share dividend by distribution of treasury shares on the basis 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 share dividend will be credited into Central Depository Securities ("CDS") account of shareholders whose names appear in the Record of Depositors on 28 June 2019. Any fractional entitlement arising from the computation of share dividend entitlement will be disregarded.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the depositor's Securities Account before 4:00 p.m. on 28 June 2019 in respect of transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

Subject to the approval of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") for the transfer of treasury shares under Share Buy-Back Account via bulk transfer method of debiting and crediting, the treasury shares to be distributed under the share dividend will be credited into the entitled CDS account maintained with Bursa Depository within 8 market days from the entitlement date.

BY ORDER OF THE BOARD

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

Kuala Lumpur
30 April 2019

Notes:-

1. APPOINTMENT OF PROXY

(a) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, in which event it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
(b) For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
(c) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.

Notice of Sixteenth Annual General Meeting

(e) The instrument appointing a proxy must be deposited at the Registered Office located at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.

(f) Only members whose names appear in the Record of Depositors as at 12 June 2019 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Audited Financial Statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only. They do not require shareholders' approval and hence, will not be put forward for voting by shareholders of the Company.

3. PAYMENT OF DIRECTORS' FEES AND BENEFITS

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The proposed Resolution 2 is to facilitate the payment of Directors' fees on a current financial year basis, calculated based on the current Board of Directors ("Board") size. In the event the proposed amount of the Directors' fees is insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The Directors' benefits under proposed Resolution 3 comprises fixed meeting allowance payable to Non-Executive Directors for attendance at the Board and/or Board Committees meetings and other benefits for Executive Directors. The proposed amount is calculated based on the current Board size and the number of scheduled Board and Board Committees meetings for the period from the conclusion of the Sixteenth Annual General Meeting up to the next Annual General Meeting.

In the event the proposed amount of Directors' benefits is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

4. RE-ELECTION OF DIRECTORS

Dato' Leong Kok Wah, Dato' Rosli Bin Mohamed Nor and Tan Sri Abdul Rashid Bin Abdul Manaf are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Sixteenth Annual General Meeting.

The Board has through the Nomination Committee ("NC"), considered the assessment of the said Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

The Board has also through the NC conducted an assessment on the independence of Dato' Rosli Bin Mohamed Nor and satisfied that he has complied with the criteria on independence as prescribed by the Bursa Securities Listing Requirements.

The NC had prior to the appointment, assessed the independence of Tan Sri Abdul Rashid Bin Abdul Manaf who is seeking for re-election pursuant to Article 103 of the Company's Articles of Association at the forthcoming Sixteenth Annual General Meeting.

Notice of Sixteenth Annual General Meeting

5. **RE-APPOINTMENT OF AUDITORS**

   The Board has through the Audit Committee, considered the re-appointment of Messrs KPMG PLT as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table the re-appointment of Messrs KPMG PLT at the forthcoming Annual General Meeting, included an assessment of the Auditors' independence and objectivity, calibre and quality process / performance.

6. **EXPLANATORY NOTES TO SPECIAL BUSINESS**

   (a) AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

   The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the previous Annual General Meeting held on 27 June 2018 as there were no requirements for such fund raising activities.

   The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s) at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

   (b) PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

   The proposed Resolution 9, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 30 April 2019 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

   (c) SPECIAL RESOLUTION ON PROPOSED ALTERATION

   The proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of the Bursa Securities Listing Requirements and other provisions of laws and regulations that are applicable to the Company.

   For further information on the Proposed Alteration, please refer to the Annexure A.

Global Reporting Initiative (GRI) Content Index

This report includes the General Public Information Disclosures, in accordance with the three economic-environment-social standards.

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salcon

Salcon Berhad (593796-T)

Proxy Form

I/ We ____
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No. ____________________ of ______________________________

____
(FULL ADDRESS)

being a Member/Members of **SALCON BERHAD** hereby appoint ______________________________

____________________ NRIC No. ______________________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing whom, ____________________ NRIC No. ______________________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Sixteenth Annual General Meeting of the Company to be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Conference Centre, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 19 June 2019 at 10.30 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of the first and final dividend via share distribution of treasury shares on the basis 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.		
2.	To approve the payment of Directors' fees of up to RM380,000 for the financial year ending 31 December 2019.		
3.	To approve the payment of Directors' benefits of up to an amount of RM220,000 for the period from the conclusion of the Sixteenth Annual General Meeting until the next Annual General Meeting of the Company.		
4.	To re-elect Dato' Leong Kok Wah as Director.		
5.	To re-elect Dato' Rosli Bin Mohamed Nor as Director.		
6.	To re-elect Tan Sri Abdul Rashid Bin Abdul Manaf as Director.		
7.	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To grant authority to allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution.		

*(*Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)*

Dated this __________ day of ______________, 2019.

CDS Account No. :
Number of shares held:
If more than 1 proxy, please specify number of shares represented by each proxy
Name of Proxy 1: Number of Shares :
Name of Proxy 2: Number of Shares :

____

Signature or Common Seal of Member
Contact Number:

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, in which event it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
2. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office located at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 12 June 2019 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

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AFFIX
STAMP
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SALCON BERHAD **(593796-T)**

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan

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www.salcon.com.my

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