Divisional Operations Review

PROPERTY DEVELOPMENT DIVISION

Stakeholders Involved

Value Chain

Landbank → Sales and Marketing → Construction

About the Division

- The Property Development Division is represented by Salcon Development Sdn. Bhd..
- The division delivers niche property development tailored to address the needs of the market and community.

Key Stakeholder Value Creation in FY 2022

Clients/Customers

- Landbank size of 18.07 acres

Operation Review

The Group entered into a Joint Venture Agreement ("JVA") with Exsim Kebun Teh Sdn. Bhd. (formerly known as Exsim Hills (Sabah) Sdn. Bhd.) through its subsidiary, Nusantara Megajuta Sdn. Bhd. to undertake a multiple phased mixed-use development project in Johor Bahru. Under the terms of the JVA, Exsim will pay RM140 million as landowner's entitlement to Salcon upon reaching the milestones as stipulated in the agreement.

The joint venture would allow Salcon to unlock the value of the development lands by tapping on the skills, track record and experience of the developer who provides property development services ranging from the inception to the completion of a portfolio for commercial and industrial projects.

The Road Ahead

Malaysia's property market remains challenging as weak consumer sentiments persist as a result of weaker economic prospects and volatility in the Malaysian Ringgit. Nonetheless, the Group continues to seek opportunities and will evaluate various proposals with caution in the current market environment.

Salcon entered into a Joint Venture with Exsim Kebun Teh Sdn. Bhd. to undertake a multiple phased mixed-use development project in Johor Bahru

SUSTAINABILITY STATEMENT

This Sustainability Statement is Salcon Berhad's ("Salcon" or "Company") 15th annual reporting of our Environmental, Social and Governance ("ESG") performance. This year, the Board in affirming its commitment to incorporate ESG across short, medium and long-term business strategies, has approved to integrate ESG Key Performance Indicators ("KPI") as part of the Group KPI on an 80:20 basis ie 80% for financial KPI and 20% for ESG KPI.

Commencing FY 2023, annual remuneration and incentives will be linked to both financial and ESG performance. In this report, we will share the Company's progress in aligning ESG metrics and goals with the overall company financial goals to drive consistent and sustainable change. As we sharpen our focus on building a strong foundation with sustainable value creation for our stakeholders, we continue to strengthen our disclosures in line with global reporting frameworks and Bursa Malaysia requirements. We have also reviewed, re-ranked and consolidated the Company's key material issues as we continue our sustainability journey, by integrating ESG practices into our operations and value chain through meaningful engagement and collaboration with stakeholders.

REPORTING PERIOD & CYCLE

1 January 2022 to 31 December 2022 (annually)

SCOPE & BOUNDARY OF REPORTING

This Sustainability Statement covers the non-financial or ESG performance of the Company. Our reporting coverage is based on business segment dimension unless stated otherwise. During the reporting period, there is no significant change to our structure, ownership and supply chain. Property development has been excluded as the division is inactive during the reporting year. Beside Salcon Berhad, coverage based on our diversified businesses are as tabled below. All information disclosed in this Report is available information at the Company. We are committed to enhance the information transparency for all our reporting.

BUSINESS & COMPANY

Water engineering
Salcon Engineering Berhad ("SEB")

Wastewater engineering
Envitech Sdn. Bhd. ("Envitech")

Transportation
Eco-Coach & Tours (M) Sdn. Bhd. ("ECT")
Green Fleet Sdn. Bhd. ("GF")

Technology services
Volksbahn Technologies Sdn. Bhd. ("VBT")

Healthcare
JR Engineering and Medical Technologies (M) Sdn. Bhd. ("JREMT")

Renewable energy
Inergist Sdn. Bhd. ("Inergist")

ACCESSIBILITY

This Report, which is available in HTML & PDF format is available at our corporate website at https://www.salcon.com.my/sustainability/sustainability-statement

FEEDBACK

We appreciate and value all feedback/comments from our stakeholders about this Report. Please address your concerns, feedback or comments to the Sustainability Committee at corporate@salcon.com.my.

Sustainability Statement

SUSTAINABILITY AT SALCON

Guided by the Company's Sustainability Framework which comprises five (5) key ESG focus pillars, we continue to forge our ESG strategies to create value to our stakeholders whilst minimizing negative impacts to the environment.

Each focus pillar is supported by strategic goals and aligned with the UN Sustainable Development Goals ("SDGs") and United Nations Global Compact ("UNGC") ten principles. Measurable ESG targets are set and tracked for each focus pillar.

Salcon Sustainability Framework

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

	Business Model & Innovation	Leadership & Governance	Human Capital	Environment	Social Capital
	B	G	H	E	S
Goals	Delivering innovative products & services through operational excellence	Becoming a trusted & reliable working partner	Building a thriving workplace for employees	Protecting the environment	Engaging and uplifting the community
	MI1, MI3, MI4	MI2, MI5	MI6, MI7, MI10	MI8, MI9	MI11
Key SDGs Alignment	8 Decent Work and Economic Growth; 9 Industry, Innovation and Infrastructure; 17 Partnerships for the Goals	16 Peace, Justice and Strong Institutions	3 Good Health and Well-Being; 5 Gender Equality; 8 Decent Work and Economic Growth; 10 Reduced Inequalities	6 Clean Water and Sanitation; 7 Affordable and Clean Energy; 12 Responsible Consumption and Production; 13 Climate Action; 14 Life Below Water; 15 Life on Land	1 No Poverty; 2 Zero Hunger; 4 Quality Education; 17 Partnerships for the Goals
UNGC Alignment	Principle 9	Principle 10	Principle 1,2,3,4,5 & 6	Principle 7 & 8	Principle 1
ESG Targets, Performance & Initiatives	Pages 58 to 61	Pages 62 to 63	Pages 64 to 73	Pages 74 to 90	Pages 91 to 94

Sustainability Statement

Contributing to United Nations Sustainable Development Goals ("SDGs")

SDG	FY 2022 contribution
1 NO POVERTY	• Philanthropic programme with contributions of RM13,405 to NGOs, benefitting 102 people in the community, including special children
3 GOOD HEALTH AND WELL-BEING	• 100% of project sites of SEB are audited as per the Company's QSHE Policy, which is certified in accordance with the ISO 45001 Occupational Health and Safety Management System • Annual Safety & Health Campaign to instill occupational safety and health awareness among workforce including blood donation campaign in collaboration with Malaysia National Blood Centre and successfully collected 134 pints of blood, translating to up to 402 lives saved • Collaborated with Hospital Assunta to provide complimentary health screening to employees and community during the Safety & Health Campaign
5 GENDER EQUALITY	• Launched Anti-Sexual Harassment Policy • 36% female workforce
6 CLEAN WATER AND SANITATION	• Installed solar-powered water filter for indigenous people *(orang asli)* • Zero non-compliance on effluent treatment • Collaborated with Water Watch Penang to organize 5 Salcon Smart Water Programmes to raise river water awareness, benefitting 5 schools and 199 students and teachers

SDG	FY 2022 contribution
7 AFFORDABLE AND CLEAN ENERGY	• Investment in solar power
8 DECENT WORK AND ECONOMIC GROWTH	• Equal salary ratio for male:female • Incorporated ESG criteria such as no child/ illegal labour, waste management, safety management & anti-corruption into supplier and sub-contractor assessment
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Annual recycling programme among employees, with 2,838 kg of recyclable items collected • Collaborated with Kloth Cares in fabric recycling, collected 332 kg of textile • Recycling campaign with Sekolah Kebangsaan USJ 12, with 1,262 kg of recyclable items collected
13 CLIMATE ACTION	• Track carbon emissions and commenced Scope 3 emissions using GHG Protocol
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Anti-corruption and anti-bribery training for employees
17 PARTNERSHIPS FOR THE GOALS	• Collaborated with various NGOs and entities to drive ESG initiatives: ➤ Water Watch Penang: river water conservation ➤ Kloth Cares: fabric recycling ➤ Budimas Children's Library: Book donation ➤ SZ Slim Scrap Metal: Recycling campaign

Sustainability Governance Structure

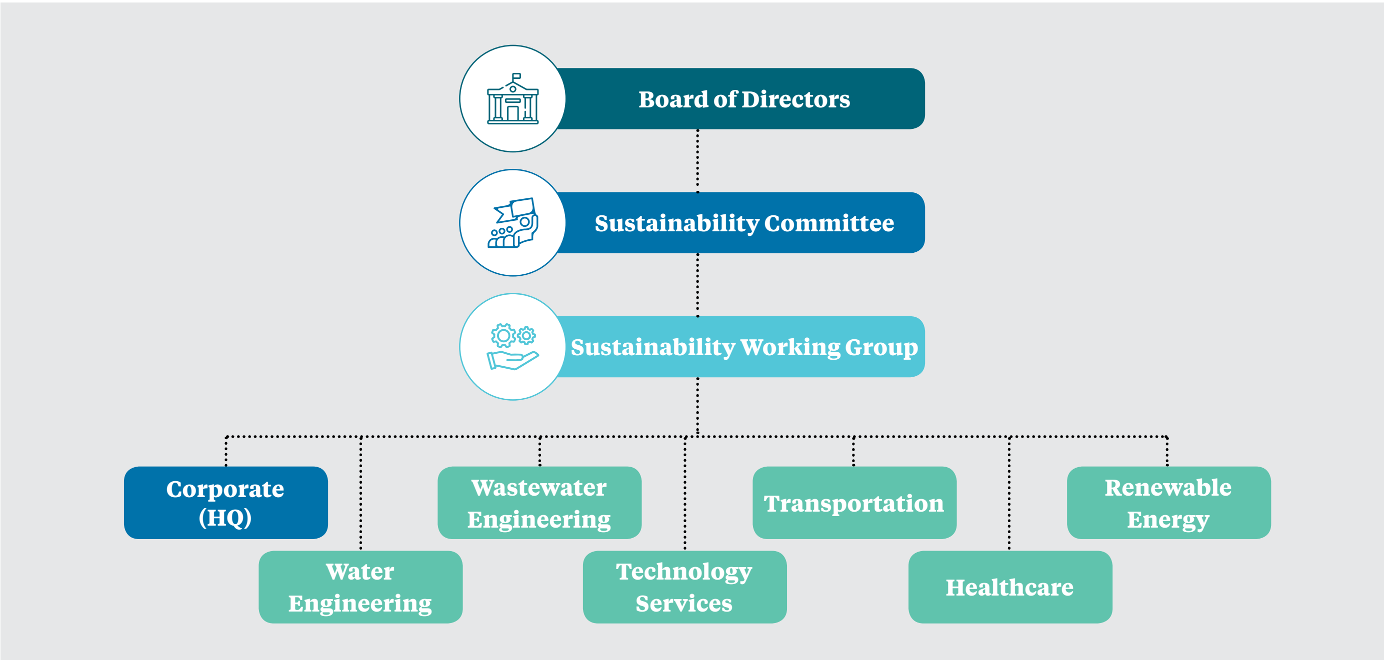
Salcon's Board of Directors ("Board") remains cognizant of its role in setting the "tone from the top" and is fully committed towards ensuring that sustainability is embedded across the Company with adequate resources, systems and processes in place. The Board provides stewardship with the support of the Sustainability committee ("SC") and sustainability issues are discussed in BOD meetings for review and decision making, where applicable.

Composition & responsibility

The Board Sustainability Committee is chaired by an Independent Non-Executive Director and consist of a total of 5 committee members. The Committee, which has been formed since 2016 consist of:

a. Independent Non-Executive Director
b. Executive Director
c. Chief Financial Officer
d. Chief Operating Officer of Salcon Engineering Berhad
e. General Manager of Corporate Affairs Department

Supported by the Sustainability Committee, the BOD takes an active role in addressing ESG material matters including climate change, corporate governance, human rights, occupational safety & health and etc. The Sustainability Working Group comprises various department heads and business unit heads within the Group.



Level	Key roles & responsibilities	Frequency of meeting
Board of Directors	• Review and make decision on sustainability strategies • Oversight of Group's sustainability goals and practices	Annually
Sustainability Committee	• Provide advice to the Board in monitoring the decisions and actions of Management in achieving Salcon's sustainability goals • Oversee the processes, standards and strategies • Provide oversight and input on management's sustainability initiatives • Monitor ESG Key Performance Indicators	Annually
Sustainability Working Group	• Drive engagement on sustainability amongst employees and value chain • Instill sustainability awareness • Plan and involve in day-to-day implement of sustainability matters to ensure Company sustainability goals are achieved	Annually (formal) As and when required *(for implementation and discussions on one-on-one basis)*

Awards & Recognitions

Award	Winning category
aira	Asia's Best Integrated Report (First Time) 2021 – Gold
	Asia's Best Integrated Report (SME) 2021 – Gold
ESG Awards	The Edge ESG Award Equity - Utilities category – Silver
FTSE4Good	Inclusion in the FTSE4Good Bursa Malaysia Index from 2015 to 2022

Sustainability Statement

B Business Model & Innovation

Delivering innovative products & services through operational excellence

- **99%** of projects under engineering & construction division completed within timeline & budget
- Achieved average **85%** of customer satisfaction
- Integrated **ESG** criteria for critical suppliers and sub-contractors evaluation for the water engineering division

MI1 Business Management & Delivery

Effective business management and delivery is crucial to meet our client's requirements in the different business sectors we are in. It is a continuous improvement process which is necessary to create value and remain competitive in today's business environment.

We address and track the progress of our business management & delivery through efficient and on-time delivery of project/products to ultimately achieve positive customer experience and build trust for long term relationships.

Project management/product manufacturing
Throughout our day-to-day operations, we take a prudent approach to manage our cost, improve operational efficiency and make business decisions which we believe to create values for our stakeholders. Key business progress in FY 2022 is as below:

Business Divisions	FY 2022 Achievement
Engineering & Construction (Water)	• 99% of projects completed were delivered within timeline and budget. • 7,106 number of calls received with average handling time of 5 to 10 minutes for customer billing and collection services at Sandakan Customer Service Centre.
Engineering & Construction (Wastewater)	• 100% of projects completed were delivered within timeline and budget.
Transportation	• Fulfilled 90% of client's demand for on-demand shuttle service.
Healthcare	• 5 new products developed. • Ventured into 4 countries: Myanmar, Philippines, Russia & Kenya.

Our water engineering & healthcare division are certified with the following standards. During FY 2022, 100% of the division's project/manufacturing sites are certified with the applicable standards below:

Water Engineering, Healthcare	Healthcare
ISO 9001:2015 Quality Management System	ISO 13485:2016 Quality Management System
ISO 14001:2015 Environmental Management System	CE marking
ISO 45001:2018 Occupational Health and Safety Management System	FDA

Customer Satisfaction

Customer satisfaction surveys enable us to track, measure and identify any shortfalls and areas for improvements. Each division adopts different targets and survey focus areas to measure their respective customers' satisfaction in order to build stronger relationships, and secure new and repeated business.

Customer satisfaction target & performance:

Business Divisions	FY 2022 Customer Satisfaction Score		Survey Focus Area	Frequency of Survey
	Target	Achievement		
Engineering & Construction (Water)	75%	81.3%	Project management, competency & skills, safety, environmental	Twice a year
Engineering & Construction (Wastewater)	65%	83%	Management, problem solving, communications	Twice a year
Healthcare	90%	78%	Product quality, pricing & responsiveness	Yearly
Technology Services	100%	95%	Project management, responsiveness, safety & pricing	Yearly
Transportation Services	75%	85%	Safety, responsiveness & competency	Yearly

We uphold ethical business practices when dealing with our customers. In the past 3 financial years, there were zero legal actions or fines related to anti-competitive behaviour and violations of anti-trust and monopoly legislation. Besides this, customers' data are kept confidential by strictly adhering to the Personal Data Protection Act 2010 ("PDPA"). In FY 2022, there were zero case on complaints concerning breaches of customer's privacy.

In order to ensure we are up-to-date with the pertinent industry developments as well as engage with the industry players, we participate as member in relevant business association/Non-Profit Organisations/Non-Government Organizations.

Our membership associations:

Business Divisions		
Engineering & Construction	**Transportation**	**Healthcare**
Participating Association		
• Malaysia Federation of Employers • The Malaysia Water Association • International Water Association • Malaysia South-South Association • CIDB Malaysia	• Malaysia Association Tours & Travel Agent	• Malaysian Occupational Safety and Health Practitioners Association • Malaysian Rubber Council • Malaysian Rubber Glove Manufacturers Association

Sustainability Statement

MI3 Technology & Innovation

The Group leverages on technology & innovation to drive growth, enhance efficiency and develop new products and services in order to stay ahead of competitors. Our approach in this area is not to re-invent the wheel but to actively explore collaboration opportunities with strategic technology partners which are proven, relevant to our industry and satisfies the need of our potential clients.

Various divisions adopt the following approaches in this area:

Business Divisions	Initiatives on Technology & Innovation
Engineering & Construction	• Embarked on renewable energy opportunities such as mini hydro where we have identified local technology partners/system integrators and participated in local tenders. • Implement sludge pipe conveyor system for Langat 2 Package 3 project. • Identified MBR (membrane) strategic partner. • Collaborated with university on water reclamation projects.
Technology Services	• 100% geo-tagging of critical active equipment. • Enhanced network presence, commercial & technical relationship to adopt 5G network.
Transportation	• Continue focusing on the development of Senstrac Passenger Transport and Tracking System ("PTTS") by leveraging on digital technologies and strengthening internal capabilities. • Leverage on Senstrac PTTS to expand business relationships with other possible MNC clients.
Healthcare	• Investment in research & development to improve product quality and innovation. • Explore new green technology in manufacturing such as material recycling or upcycling to improve cost efficiency. • Integrating automation in operation through investment in auto-pelleting & auto-pouching machine, which has increased work efficiency by 8 times.

MI4 Supply Chain Management

A resilient, responsible and sustainable supply chain creates long-term value for our stakeholders. We are committed to integrate ESG factors into our supply chain management and work with our suppliers and sub-contractors to ensure that they are using sustainable practices in their operations.

During the year under review, we integrated ESG criteria such as no child/illegal labour, waste management, safety management & anti-corruption into our evaluation of critical suppliers and sub-contractors for the water engineering division.

Supplier/sub-contractor assessment on ESG criteria for water engineering division:

- Percentage of new suppliers/sub-con that were screened: 29%
- Number of suppliers/sub-con assessed: 10

Suppliers/Sub-contractors' are evaluated at least once a year and those who are unable to meet our criteria will be removed from our supplier/sub-contractor list to ensure quality deliverables.

Performance Scoring:

Business Divisions	FY 2022 Suppliers/Sub-contractors' Evaluation Score		Key Areas of Evaluation	Frequency of Assessment
	Target	Achievement		
Engineering & Construction (Water)	90%	90% for suppliers and 68% for sub-contractors	• Quality assurance system • On time delivery • Workmanship • Pricing	Yearly
Engineering & Construction (Wastewater)	50%	90%	• Quality assurance system • On time delivery • Workmanship • Pricing	Yearly
Healthcare	95%	99.8%	• Quality assurance system • Cleanliness • Storage • On time delivery • Number of materials received	Monthly
Technology Services	No target set	98%	• On time delivery • Pricing • After sales support • Performance	Yearly

Percentage of procurement budget spent on local suppliers by country:

Business Divisions	Country		Percentage (%)	
Water Engineering	Malaysia	Others	99.5%	0.5%
Wastewater Engineering	Malaysia		100%	
Technology Services	Malaysia		100%	
Transportation	Malaysia		100%	
Renewable Energy	Malaysia		100%	

Sustainability Statement

G Leadership & Governance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Becoming a trusted & reliable working partner

- Adoption of the Directors' **FIT AND PROPER POLICY**
- Established **REMUNERATION POLICY** for Directors & Senior Management
- **ZERO** fines and cases of corruption & bribery

MI2 Systematic Risk Management

The Group's Integrated Risk Management Policy and Procedures ("IRMPP") was established in accordance with the ISO 31000 Risk Management Framework and aims to strike a balance between our risk appetite and business strategies for sustainable growth.

The Board via the Audit Committee ("AC") and the Risk Management Committee ("RMC") is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. A sound system of risk management and internal controls are in place to ensure that risks are managed and mitigated in accordance to the Group's policies and procedures.

For details of our risk management practices from governance structure, key risks, potential impacts and mitigation measures,

Kindly refer to Key Risks & Mitigations section under this Report from pages 32 to 34 and Statement of Risk Management & Internal Control section from pages 114 to 118.

MI5 Business Ethics & Corporate Governance

The Board is committed to ensure that the highest standards of corporate governance is practiced and that we conduct our business in a responsible, ethical and sustainable manner in line with the Malaysian Code of Corporate Governance ("MCCG") and industry best practices.

The Group's Corporate Governance Statement from pages 104 to 110 in this Integrated Annual Report details our corporate governance practices.

During the period under review, the Board undertook the following measures to strengthen our commitments to good corporate governance:-

1) Adoption of the Directors' Fit and Proper Policy which governs the appointment and re-election of directors of the Group. This policy aims to safeguard the Board's quality and integrity, as well as ensure that each of the board members possesses the character, experience, integrity, competence, time and commitment to effectively discharge his/her role as a Director.

   Directors' Fit and Proper Policy
   https://salcon.listedcompany.com/misc/Salcon_Directors_Fit_and_Proper_Policy.pdf

2) Enhanced Board Diversity Policy to address gender diversity, which we commit to appoint at least a suitable women director.

   Board Diversity Policy
   https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Board%20Diversity%20Policy.pdf

3) Established Remuneration Policy for Directors & Senior Management with the objective to attract and retain the right talent in the Board and Senior Management (C-suites) with a competitive remuneration package to manage and drive the Company's long-term objectives successfully.

   Remuneration Policy for Directors & Senior Management
   https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Remuneration%20Policy.pdf

Salcon has outlined clear and sustainable tax strategies, articulating the following commitments:

- Compliance with the spirit as well as the letter of the tax laws and regulations in countries in which we operate
- Not to use tax structures without commercial substance
- Undertaking of transfer pricing using the arm's length principle

Sustainability Statement

Training on Implementation of KPIs for Performance Management was organised for the employees at managerial level to improve their management skill on quantifing individual and organizational goals and thus evaluating performance of their team members

In line with the Company's practices to conduct business in a transparent way, whistleblowers may address any concerns to the Senior Independent Non-Executive Director in writing, by telephone, fax or email. All information are treated with strict confidentiality. In FY 2022, there is zero whistleblowing case.

Please visit https://salcon.listedcompany.com/misc/Whistle_Blowing_Policy.pdf for Salcon's Whistleblowing Policy

Good corporate governance practices extend to our value chain as well where stakeholders are required to abide and align to the Company's integrity and ethical business policies. Commitment from our stakeholders:

Stakeholder Group	Commitment to Business Ethics & Corporate Governance	Business Boundary
Employees	• Code of Ethics & Conduct • Anti-Bribery & Anti-Corruption ("ABAC") Policy	Group
Suppliers & Sub-contractors	• Statement of Policies and Business Ethics	Construction & Engineering

In FY 2022, we conducted ABAC training for 18 new employees from Salcon Berhad, Salcon Engineering Berhad and Envitech Sdn. Bhd.. It is in the pipeline to train more employees on ABAC in the coming financial year. There is also zero reported incidents of corruption, zero fines in relation with corruption and bribery as well as zero employee disciplined or dismissed due to non-compliance with ABAC Policy.

In the same financial year, we have incorporated anti-corruption as part of the assessment criteria for our manufacturing suppliers and key sub-contractors for our construction & engineering businesses, which will take effect in FY 2023.

Sustainability Statement

H Human Capital

Building a thriving workplace for employees

Invested
RM187,000
for employee training, an increase of 83% from FY 2021

Achieved
1,081.5
training hours

Workforce diversity
278 Male
160 Female

Our employees are critical to Salcon's long-term success and sustainability. As such, our human capital strategy is focused on attracting, developing and retaining the diverse talent we need to advance our business today and into the future. This includes creating a healthy, safe and thriving workplace which encourages the enrichment of our employee's capabilities and competencies to ensure a strong and capable workforce that can innovate and adapt in an ever-changing business environment.

MI6 Occupational Health & Safety

The Group has in place a systematic health, safety and environment management system which aims to create a safe and healthy workplace by actively fostering and promoting a strong culture of safety year-round. Both the Engineering & Construction Division and Healthcare Division are certified under the ISO 45001:2018, ISO 9001:2015 and ISO 14001:2015 and are subject to periodic external audits by third parties.

Under the Engineering & Construction Division, our safety and health practices are spearheaded by the Quality, Safety, Health & Environment ("QSHE") department and Safety, Health and Environment ("SHE") committee which is led and chaired by the Chief Operating Officer ("COO") with representatives from each department. The SHE committee reviews safety and health policies and recommend preventive and corrective measures. All of the project sites monitored by the QSHE department is certified under the ISO 45001:2015 and audited by Bureau Veritas.

By prioritizing health, safety and sustainability, we not only protect the well-being of our team and the environment, but also ensure the success and integrity of our projects and safety at our manufacturing facility.

The QSHE policy is available on Salcon's website at https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment

The SHE committee conducts regular inspections and initiates the following programmes to monitor health and safety issues, targets to prevent accidents and injuries:-

No.	Initiatives	Key Actions Undertaken	Division
1	Quarterly SHE committee meeting	1. Regular workplace inspections to identify hazards at workplace 2. Conducted Emergency Response Preparedness Drill	• Engineering & construction • Healthcare

No.	Initiatives	Key Actions Undertaken	Division
2	Annual Safety & Health Campaign	1. Encourage our people to take responsibility and adopt a healthy lifestyle through various activities: - Nutrition talk - Fitness assessment & talk - Living well with Arthritis talk - Health screening 2. 134 pints of blood collected through the 13th Salcon blood donation drive 2022 in collaboration with Pusat Darah Negara 3. Safety & health day in Telibong to raise awareness among the workers at project sites	• Engineering & construction
3	Regular Safety & Health Training	1. S.H.E. induction training for new workers to set standards, raise awareness of hazards, explain how health and safety is managed and awareness on the Group's procedures **Total of 35 new employees attending S.H.E induction training** 2. Renew and reskills employees with basic occupational first aid, CPR & AED training **34 staffs have successfully licensed as first aider in HQ & project sites** 3. Toolbox briefing conducted by Safety & Health Officer on daily and weekly basis on sites	• Engineering & construction • Healthcare
4	Hazard Identification, Risk Assessment and Risk Control ("HIRARC")	1. Identifying the potential risks and opportunities before commencement of project	• Engineering & construction
5	COVID Measurement Guidelines	1. Revised COVID measurement guidelines for infected and close contact individuals in line with Ministry of Health Malaysia guidelines	• Group
6	Emergency Response Preparedness & House Keeping	1. 2 fire evacuation drills & housekeeping have been conducted at 2 of our project sites, with the collaboration with Fire Department. **The evacuation time was on average 10.6 minutes**	• Engineering & construction
7	Yearly SHE Audit & inspection	1. Conducted safety and health risk assessment at project sites to identify potential risks and mitigate it accordingly 2. As at 31 December 2022, 100% of our project sites have undergone the assessment	• Group

No.	Initiatives	Key Actions Undertaken	Division
8	External Audit & Inspection	1. Recertification of ISO 45001:2018 for our OSH management system 2. Passed the audit by international independent third-party audit – SEDEX Members Ethical Trade Audit (“SMETA”) 3. Percentage of finding of inspection to be taken action: 100%	• Engineering & construction • Healthcare
9	Monthly Machinery Inspection	1. Monthly machinery inspection conducted by Safety & Health Officer	• Engineering & construction • Healthcare

Towards Zero LTI

In FY 2022, the Group achieved zero cases for employee fatality and contractor fatality. This reflects our capability in operating our business and services in a safe manner and has reinforced our relationship of trust with our clients. The achieved manhours without lost time injury (“LTI”) for each business division is as shown below:

Safety Data	HQ & Water Engineering	Wastewater Engineering	Healthcare
Total number of working hours in 2022	1,154,468	265,512	462,724
Total cumulative manhours with zero LTI	4,707,610	3,357,816	1,581,790
Target manhours with zero LTI	4,500,000	3,500,000	3,000,000

Transportation (ECT and GF) and technology division (VBT) track manhours but do not set targets. In FY 2022, total manhours with zero LTI for ECT, GF and VBT was 2,064 hours, 690 hours and 2,080 hours respectively.

Safety & Health Training

To drive a positive culture of occupational health and safety at the workplace, we equip our employees and contractors with the latest safety & health guidelines and responsibilities as well as the risks involved in their daily jobs through regular series of trainings throughout the year.

In FY 2022, 94 of the Safety & Health committee members underwent safety trainings on various Safety & Health topics to ensure they remain updated on these issues and trends. The topics include basic first aid, awareness on safety, health and environment, hazard identification, risk assessment and risk control, as well as legal requirements and regulations.

Health and Safety Trainings & Initiatives in 2022:

Total of safety & health training hours for employees:
667 hrs

Total of licensed first aiders:
34

Safety & Health Committee members have attended safety & health related training:
94

MI7 Talent Attraction & Engagement

Talent attraction and engagement is an on-going process and a critical cornerstone to sustaining our ambitious business plan. In order to build a performance-driven culture and an engaging and inclusive workforce, the Group adopts two (2) approaches as our talent management strategy which are (i) Talent attraction & retention and (ii) Engagement & Inclusion. Our goal is to offer a quality working life and positive employee well-being, in a safe, creative, collaborative, diverse and inclusive environment.

Talent Attraction & Retention

The Group is committed to recruit a diverse talent pool to build a collaborative, inclusive workforce that shares knowledge and experience. We offer a wide range of talent attraction and retention programme including competitive salary structure & rewards and benefits based on performance.

The performance, motivation and overall workplace satisfaction of employees are driven by their expectation for fair rewards and benefits. At Salcon, we continuously strive to be the preferred employer in the industry by compensating our employees with competitive benefits. It is also the Group's policy to fairly compensate and reward its employees based on merit and competence via a performance management system which measures an employee based on the Key Performance Indicators (KPIs) and core competencies. Through this process, employees will have a two-way communication and discussion with their direct supervisor. This process also gives opportunity for managers to understand employees' career goals and enable employees to perform regular self-evaluation which is then translated to performance-based incentives scheme.

Total number of employees who received a regular performance and career development review:

By gender:

95 Male

71 Female

By job category:

Senior Manager & Above
15

Manager
31

Executive
81

Non-executive
39

In FY 2022, we have incorporated ESG-related KPIs in the Group KPI which reflects our commitment to develop and drive compelling ESG values to generate sustainable and superior long-term results.

Training & Development

Our talent training & development agenda is geared towards upskilling programmes throughout our workforce, including technical and soft skills, to empower people to perform effectively in their designated roles and deliver on the Group's strategic priorities. In FY 2022, a total of RM187,000 was invested to upskill our talents through a total of 81 trainings, conducted both internal and externally in soft skills, leadership & management, technical training, safety health & environment training.

In line with one of our core values, our employees are encouraged to assume personal ownership of their development by upgrading their skills and taking on stretch assignments as well as expanded responsibilities. Each employee is given equal opportunity to propose desired learning programmes or training to pursue which suit their interest and job requirement.

AVERAGE TRAINING HOURS per Employee:
3.10 hours

TOTAL PARTICIPANTS by Gender:
Male: 202
Female : 147

TOTAL PARTICIPANTS per Employee Category:

Senior Management
57

Executive
162

Manager & Senior Executive
125

Non-executive
5

TOTAL TRAINING INVESTMENT:
RM187,000

Category of Trainings	Total Number of Training
Soft Skills	2
Technical Skills	23
Safety, Health & Environment	24
Leadership & Management	10

* *The categories of trainings refer to the trainings conducted for Engineering & Construction Division only*

Engagement & Inclusion

We aim to foster a culture of respect, diversity and inclusion where employees feel safe, valued and included, and where every employee can offer their unique contribution.

12 March 2022
Water for Orang Asli at Kampung Gemi, Hulu Langat

21 May 2022
Salcon Bowling Tournament

19 May 2022
Raya Luncheon

13 April 2022
Ramadhan Giveaway

4 June 2022
Annual Dinner

24 June 2022
Fitness Day

28 June 2022
Nutrition Talk

1 July 2022
13th Annual Blood Donation Drive & Health Check

29 June 2022
Safety & Health Day in Telibong

29 June 2022
Living Well with Arthritis Talk by Assunta Hospital

Sustainability Statement

27 August 2022
Salcon Badminton Tournament

13 September 2022
Malaysia Day Celebration with IMC

7 October 2022
Salcon Mini Gathering Celebrating Project Win

19 October 2022
Deepavali Giveaway

10 November 2022
Annual Company Trip to Sabah

29 November 2022
Talk Conducted by Department of Environment ("DOE")

6 December 2022
Recycling Competition & Book Donation

13 December 2022
Tree Planting at Taman Botani

14 December 2022
Christmas Wish Project with Children of Klang Utama Caring Home

Sustainability Statement

During the year under review, the Group Human Resource Policy & Procedure ("HRPP") was revised to be in line with the Employment (Amendment) Act 2022 whilst additional benefits were accorded to staff such as improved medical & dental benefit and staggered working hours. Other benefits include paid time off, replacement leave claim, executive health screening, subsistence and site allowance, site vehicles, overseas allowance, mobile phone subsidy, training bond, education assistance scheme.

Benefits & Well-being		**FY 2022 Initiatives**
Medical Benefits	• Executive health screening • Outpatient & Hospitalization Medical Benefits • Dental treatment	• RM8,376 spend for executive health screening • Total of RM199,721.25 spend for outpatient medical benefits for 204 employees • Total of RM118,607.33 spend for hospitalization and surgical insurance for 13 employees
Supporting Working Mothers	• Extended maternity leave • Support and promote importance of breastfeeding among nursing mothers	• Extending the maternity leave from 60 days to 98 days in line with the amended Employment Act 1955 • Designated a breastfeeding room at Salcon HQ
Salcon Recreational Club	• A social club for Salcon employees with various recreational activities	• Among the activities: - Annual dinner - Sport tournaments ie bowling & badminton tournament - Company trip to Sabah
Rewards & Recognition	• A monetary recognition programme for employees whom work for a very long period of time • Incentive scheme	• A total 19 staffs received long services award in 2022 • An incentive scheme introduced to be based on Key Performance Indicators ("KPIs") and ESG performance

Parental leave:

	Female	**Male**
Total number of employees that were entitled to parental leave	55	99
Total number of employees that took parental leave	5	12
Total number of employees that returned to work in the reporting period after parental leave ended	5	12
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	5	10
Return to work and retention rates of employees that took parental leave	100%	91%

MI10 Labour Rights & Practices

The Group conducts its business in a fair manner which respects the rights & well-being of our employees. We adhere to all international agreements preventing child labour, forced labour and are committed to providing freedom in political views, best labour practices on living & working conditions and fair compensation across our operations.

Refer Equal Opportunity Employment Policy on Salcon's website, https://www.salcon.com.my/sites/default/files/Equal%20Opp%20 Employment%20Policy.pdf

In 2022, we established a new anti-sexual harassment policy, reflecting our serious commitment in creating a workplace free from discrimination or harassment at work including sexual harassment.
- Total number of incidents of discrimination: 0
- Total number of workplace bullying cases: 0
- Total number of sexual harassment cases: 0
- Total number of security personnel who have received formal training on human rights policies or relevant procedures: 0
- Total number of identified incidents of violations involving the rights of indigenous people: 0

Sexual Harassment Policy https://www.salcon.com.my/sites/default/files/Salcon_Sexual%20Harassment%20Policy.pdf

Grievance Mechanism
The Group Whistleblowing Policy and Procedures encapsulate the governance and standards to promote an ethical, responsible and secure whistleblowing practice in Salcon and its subsidiaries. The whistleblowing channels provide proper and secured avenues for employees to report any knowledge of improper conduct in good faith, without fearing any adverse consequences. Access to whistleblowing information is governed by the strictest confidentiality under the oversight of an Independent Non-Executive Director of the Board.

ZERO report
on grievance or non-compliance on human rights issues in FY 2022.

Percentage of total employees covered by collective bargaining agreements:
ZERO

Number of substantiated complaints concerning human rights violation:
ZERO

The employee demography of the Group is presented in the table below:

Description	2020	2021	2022
Total employees	326	383	**438**
Total employees by gender			
- Male	198	206	**278**
- Female	128	177	**160**
Total employees by region			
- Malaysia	303	368	**425**
- Thailand	1	1	**1**
- Sri Lanka	15	8	**6**
- Vietnam	7	6	**6**
Total employees by age group			
- <30 years old	65	99	**128**
- 30-49 years old	179	199	**228**
- >50 years old	82	85	**82**

Sustainability Statement

Description	2020	2021	2022
Total employees by employment type			
- Permanent	222	210	**259**
- Contract/Temporary	104	173	**179**
- Protege	8	9	**6**
Ethnicity (Malaysia only)			
- Malay	163	171	**167**
- Chinese	92	82	**78**
- Indian	26	90	**131**
- Others	22	25	**62**
New employees recruited by employment type			
- Permanent employee	7	149	**83**
- Non-permanent employee	20	8	**76**
- Interns/protege	NIL	NIL	**4**
Employee Turnover Rate	8.0%	21.4%	**25.8**
Total Training Investment (RM)	94,128.3	102,185.63	**186,999.90**
Average Training hours per employee**	2.11 hrs	1.79 hrs	**3.10 hrs**

* *Employee turnover as per GRI standards = employees who leave the company voluntarily/due to dismissal/retirement/death in service*
** *the average training hours/employee for 2019 – 2021 is adjusted upon inclusion of non-executive staff*

Employee Demographic Description	2022
Permanent employees by gender	
Male	128
Female	131
Permanent employees by country	
Malaysia	254
Thailand	0
Sri Lanka	0
Vietnam	5
Contract employees by gender	
Male	150
Female	28
Contract employees by country	
Malaysia	171
Thailand	1
Sri Lanka	6
Vietnam	1
Interns/protege by gender	
Male	1
Female	6

Employee Demographic Description	2022
Intern/protege by country	
Malaysia	7
Thailand	0
Sri Lanka	0
Vietnam	0
Full time employees by gender	
Male	278
Female	160
Full time employees by country	
Malaysia	379
Thailand	1
Sri Lanka	6
Vietnam	6
Age group by employment level	
Non-executive	
<30 years old	98
30-49 years old	98
> 50 years old	20

Sustainability Statement

Employee Demographic Description	2022
Age group by employment level	
Executive	
<30 years old	30
30-49 years old	82
>50 years old	24
Manager	
<30 years old	0
30-49 years old	36
>50 years old	16
Senior Manager & above	
<30 years old	0
30-49 years old	12
>50 years old	22
Gender by employment level	
Non-executive	
Female	62
Male	154
Executive	
Female	71
Male	65
Manager	
Female	17
Male	35
Senior Manager & above	
Female	10
Male	24
Age group by employment function	
Technical & Engineering	
<30 years old	104
30-49 years old	156
>50 years old	39
Corporate & Admin	
<30 years old	23
30-49 years old	74
>50 years old	43
Gender by employment function	
Technical & Engineering	
Female	66
Male	232
Corporate & Admin	
Female	95
Male	45

Employee Demographic Description	2022
New employees recruited by gender	
Female	66
Male	94
New employees recruited by age group	
<30 years old	102
30-49 years old	58
>50 years old	3
New employees recruited by country	
Malaysia	163
Thailand	0
Sri Lanka	0
Vietnam	0
Employee turnover by employment category*	
Non-executive	67
Executive	35
Manager	13
Senior Manager & above	1
Employee turnover by employment function	
Technical & engineering	78
Corporate & admin	35
Employee turnover by gender	
Female	61
Male	52
Employee turnover by age group	
<30 years old	56
30-49 years old	45
>50 years old	7
Employee turnover by country	
Malaysia	107
Thailand	0
Sri Lanka	1
Vietnam	0
Senior management's locality	
Malaysian	30
Non-Malaysian	2
Disability	
Disability	1

* *Employee turnover as per GRI standards = employees who leave the company voluntarily/due to dismissal/retirement/death in service. The Company commenced to track the above data from FY 2022. We will continue to disclose the data in the following years*

E Environment

Protecting the Environment

- Committed to **HALVE** carbon emission intensity by 2030 and **NET ZERO** by 2050
- **EXTEND** environmental **TARGET AND SCOPE** to operational sites
- Inclusion of **SCOPE 3** emission targets and calculations
- **2,838 KG** total waste was recycled in FY 2022

We are committed to safeguard the environment and minimizing the Group's environmental impact by reducing waste and emissions, conserving resources and promoting sustainable consumption throughout our business operations and value chain.

Salcon supports the UN Sustainable Development Goals and the Paris Climate Agreement and is also a Corporate Friend in the Climate Governance Malaysia ("CGM"), the Malaysian chapter of the World Economic Forum's ("WEF") climate governance initiative.

Key developments during the year under review include:-

1) Pledge to achieve net zero greenhouse gas emissions by 2050 and to halve emissions by 2030.
2) Setting of short-term yearly targets for each business division in order to track and measure immediate improvements while evaluating progress toward our long-term goals and targets.
3) Extending the scope of reporting and targets for the Group's energy, water and emission data to include operational sites to better reflect each division's consumption intensity.

Please refer to https://www.salcon.com.my/sustainability/Climate-Change for the Group's environmental commitments

MI8 Environmental Impact Management

The Group's environment impact management efforts are guided by the Salcon Green Policy which outlines our commitments to minimize our environmental footprint, conserve resources and promote sustainable practices throughout our business operations.

The Green Policy is available at https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf

Under MI8, we focus on 4 main areas, namely Water & Wastewater Management, Energy Management, Pollution & Resources Management and Ecology Impacts.

Water & Wastewater Management
Salcon's water conservation efforts are guided by the Company's Water Management Plan ("WMP"), which aims to ensure efficient water resource management, and setting long-term targets to reduce water usage as well as incorporating water conservation elements into our operations.

The WMP is available at https://www.salcon.com.my/sustainability/Climate-Change

Over the years, 100% of the Group's wastewater were discharged to an off-site wastewater treatment plant, while 100% of the water usage are withdrawn from surface water, such as dams or rivers. Salcon is pleased to report that there have been zero incidents of noncompliance with water quality/quantity permits, standards, or regulations as of FY 2022.

Water Consumption Initiatives

Key Initiatives	Business Units
Application of water conservation signages toilet walls	Group
Non-Revenue Water ("NRW") reduction projects in Marang & Sandakan	Malaysia
Partnership with Non-Government Organization – Water Watch Penang for holistic educational approaches on water conservation	HQ
Recycle water for site washing at project sites as well as car and depot washing	Malaysia
Regular checking and immediate action taken for any leakage	Group

Water Consumption Data

Group's Long-Term Target	To reduce Group water consumption intensity by 10% per unit basis by 2026	
Division Yearly Reduction Targets	**Engineering & Construction**	To reduce water consumption by 10% per RM1 million revenue
	Transportation	To reduce water consumption by 19% per RM1 million revenue
	Healthcare	To reduce water consumption by 2% per 1,000 gloves produced

The water consumption intensity data presented below were derived from the water bills generated by the water supply authority in the respective operating areas for each business division.

Division	Engineering & Construction			
Yearly Target	To reduce water consumption by 10% per RM1 million revenue per annum			
Year	**FY 2016 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Total Water Consumption (m^3)	549.00	4,882.00	4,297.00	1,865.00
Revenue (RM million)	35.40	153.59	136.30	134.76
Water Consumption Intensity (per RM million)	15.51m^3	31.79m^3	31.53m^3	13.84m^3
Office & Sites Included	**Office:** Envitech	**Office:** Envitech **Project Sites:** KTU WTP, Langat Package 15 (4), Telibong WTP, Ambathale Storm Water Pumping Station		**Office:** Envitech **Project Sites:** KTU WTP, Langat Package 15 (4), Telibong WTP
Yearly Trend	N/A	-25.92%	-0.81%	-56.10%
Progress	Achieved short term target of 10% per annum for FY 2022. Achieved 10.8% reduction from base year.			

Remarks:
- *Engineering & Construction division has achieved its long-term reduction target of 10%*
- *Ambathale water data is not available since 2021 as the project has been completed and handed over to client*
- *Data from Langat 2 & Langat CSTP are not reported as revenue from these projects were not included as part of the Group's total revenue*

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce water consumption by 19% per RM1 million revenue per annum			
Yearly Target	**FY 2016 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Total Water Consumption (m^3)	16.80	149.00	766.29	942.00
Revenue (RM million)	13.68	15.63	13.98	14.97
Water Consumption Intensity (per RM million)	1.23 m^3	9.53 m^3	54.81 m^3	62.92 m^3
Office Included	**ECT**			
Yearly Trend	N/A	-48.23%	475.06%	14.79%
Progress	Short term target of 19% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.			

Remarks:
- *GF water bill is included in office rental*
- *Water consumption skyrocketed in FY2021/22 due to vehicle self-washing at ECT premises instead of outsourcing to third parties*

Division	Healthcare	
Yearly Term Target	To reduce water consumption by 2% per 1,000 gloves produced per annum	
Year	**FY 2021 (Base Year)**	**FY 2022**
Total Water Consumption (m^3)	47,624.00	91,723.00
No. of gloves produced (unit)	176,969,367	125,059,556
Water Consumption Intensity (per 1,000 gloves produced)	0.27 m^3	0.73m^3
Office & Plants Included	**JREMT**	
Yearly Trend	N/A	172.54%
Progress	Short term target of 2% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:
- *2021 is base year for Healthcare segment as this business was acquired in 2021*
- *As JREMT was using bore-well in FY 2021, which is not metered, this has resulted in an increase in water consumption intensity in FY 2022 whereby water from local authorities ie Syabas was fully utilised to ensure that the quality of glove produced are maintained*

Energy Management

Energy management and consumption is one of the main contributors to greenhouse gas ("GHG") emissions. As part of the Group's commitment to reducing environmental impacts from energy consumption, Salcon is committed to maximise energy efficiency and reduce energy usage across all business divisions.

Energy Management Initiatives

Key Initiatives	Business Units
Temperature control for air conditioning	Group level
Turn-off air conditioning system and light when the room is not occupied	Group level
Replacing faulty lights to LED lights which is more environmentally friendly	Engineering & construction
Educating employees on energy saving through posters and email	Engineering & construction
Clear Perspex roofing to reduce electricity usage at ECT in Penang	Transportation
Diversification into Renewable Energy sector (Solar Power)	Renewable energy

Energy Consumption Data

Group's Long-Term Target	To reduce Group energy consumption intensity by 50% per unit basis by 2026	
Division Yearly Reduction Targets	Engineering & Construction	To reduce energy consumption by 9% per RM1 million revenue
	Transportation	To reduce energy consumption by 12% per RM1 million revenue
	Technology	To reduce energy consumption by 8% per full time employee
	Healthcare	To reduce energy consumption by 13% per 1,000 gloves produced

Division	Engineering & Construction			
Short-Term Target	To reduce energy consumption by 9% per RM1 million revenue per annum			
Year	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Energy Consumption (kWh)	226,608	329,999	303,738	310,570
Revenue (RM million)	83.10	153.59	136.30	134.76
Energy Consumption Intensity (per RM million)	2,726.90 kWh	2,148.53 kWh	2,228.48 kWh	2,304.60 kWh
Office & Sites Included	**Office**: Salcon Berhad HQ, Envitech	**Office**: Salcon Berhad HQ, Envitech **Project Sites**: KTU WTP, Langat Package 15, Telibong WTP, Ambathale Storm Water Pumping Station		**Office**: Salcon Berhad HQ, Envitech **Project Sites**: KTU WTP, Langat Package 15 (4), Telibong WTP Sandakan
Yearly Trend	N/A	10.99%	3.72%	3.42%
Progress	Short term target of 9% per annum for FY 2022 was not achieved. However, compared to base year of FY 2016, a reduction of 15.5% was achieved. To intensify efforts in achieving long term target.			

Remark: Data from Langat 2 & Langat CSTP are not reported as revenue from these projects were not included as part of the Group's total revenue

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce energy consumption by 12% per RM1 million revenue per annum			
Year	**FY 2016 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Total Energy Consumption (kWh)	57,073	85,518	54,097	50,496
Revenue (RM million)	13.68	15.63	13.98	14.97
Energy Consumption Intensity (per RM million)	4,171.68 kWh	5,470.70 kWh	3,869.60 kWh	3,372.75 kWh
Office & Sites Included	**Office**: ECT	**Office**: ECT, GF		
Yearly Trend	N/A	48.95%	-29.27%	-12.84
Progress	Achieved short term target of 12% per annum for FY 2022. Achieved 19.2% reduction from base year. On track to achieve long term target of 50%.			

Remarks:
- *GF's energy data in 2021 is taken at new container office at Lumut from Jul-Dec 2021 (lower consumption)*
- *GF's energy consumption in 2022 was reported 0kWh due to working-from-home mode was carried out throughout the year*

Division	Technology Services			
Short-Term Target	To reduce energy consumption by 8% per full time employee per annum			
Year	**FY 2016 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Total Energy Consumption (kWh)	47,096	45,993	36,352	39,196
No. of Employees	16	16	16	16
Energy Consumption Intensity (per headcount)	2,943.50 kWh	2,874.56 kWh	2,272.00 kWh	2449.75 kWh
Office & Sites Included	VBT			
Yearly Trend	N/A	7.47%	-20.96%	7.82%
Progress	Short term target of 8% per annum for FY 2022 was not achieved. However, compared to base year of FY 2016, a reduction of 16.8% was achieved. To intensify efforts in achieving long term target.			

Division	Healthcare	
Short-Term Target	To reduce 13% energy consumption per 1,000 gloves produced per annum	
Year	**FY 2021 (Base Year)**	**FY 2022**
Total Energy Consumption (kWh)	3,005,052	2,906,919
Total gloves produced	176,369,367	125,059,556
Energy Consumption Intensity (per 1,000 gloves produced)	16.98 kWh	23.24 kWh
Office & Sites Included	JREMT	
Yearly Trend (kWh per 1,000 gloves produced)	N/A	36.89%
Progress	Short term target of 13% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:
- *Base year starting in 2021 due to the newly acquired business segment in the same year*
- *Energy consumption remained at similar level to FY 2021 although total gloves produced has reduced in FY 2022, resulting in higher energy consumption intensity. This is because JREMT has to keep 4 production lines running although utilization is only at 50%, due to interconnectivity of the entire plant*

Pollution & Resources Management

The Group, under its Engineering & Construction Division is certified for the ISO 14001 Environmental Management System, and ensures 100% compliance across all our business operations with the Malaysia's Department of Environment ("DoE") as well as all local government regulations.

Salcon's focus in addressing pollution & resource management include:
1) Waste management,
2) Raw material used,
3) Air quality and noise management.

Target in driving the success of pollution & resources management:-

Waste Management
- To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations
- To ensure that construction wastes are disposed at authorised landfills that are licensed by the Local Authority

Raw Materials Used
- Prudent & responsible consumption to reduce raw material wastage

Air Quality & Noise Management
- Ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment ("DOE")

Sustainability Statement

Waste management

Guided by the Group's QSHE policy, Salcon adheres strictly to all applicable environmental laws and regulations across all of our operations to ensure all construction waste and scheduled waste is managed responsibly and ethically.

Initiatives in Waste Management

Initiatives	Company/Operation Country
- Scheduled/hazardous waste to be stored in designated container for onward disposal by Department of Environment ("DOE") licensed contractor to licensed location - Salcon engages licensed waste management contractors to ensure proper collection and disposal of the scheduled waste generated by the Group	Engineering & construction
- Recycle practice at all offices	Group level
- Recycling campaign/competition	HQ
- Monitoring paper consumption in office	HQ
- Introduction of e-waste bin at office for employees to dispose household or office e-waste properly	HQ
- Fabric/textile recycling bin placed in office	HQ

Scheduled Waste Data

Salcon monitors the scheduled waste and recycling waste data regularly to manage waste efficiently and to minimize its environmental impact. The 3-year scheduled waste data for our existing projects and recycling data are as below:-

Project Site	FY 2020 (tonnes)	FY 2021 (tonnes)	FY 2022 (tonnes)	Total waste diverted from landfill in FY 2022 (tonnes)
KTU WTP	0.01	0.01	0.00	0.00
Telibong WTP	0.07	4.58	0.02	6.94
JREMT	n/a	243	0.00	0.00

Note: Data for JREMT not available in FY 2020 as the acquisition was only completed in March 2021

Recycled Waste Data

Recycled Items	FY 2020 (kg)	FY 2021 (kg)	FY 2022 (kg)
a) Paper	3,032.30	5,164.80	2,537.00
b) Plastic	63.50	9.10	3.00
c) Metal	64.70	20.20	146.00
d) Glass	12.40	0.00	0.00
e) Reusable Items	134.10	301.10	152.00
f) Electronic Items	141.00	27.60	0.00

Raw Material Used

Salcon holds suppliers accountability for ethical procurement practises to ensure effective and sustainable management of the supply chain for raw materials and building projects. The procurement process is governed by the Salcon Green Policy, which describes the company's commitment to an Environmental Purchasing Program that encompasses the acquisition of ecologically sound products. The Group monitors the consumption of raw materials to maintain an appropriate supply and prevent waste.

The Green Policy is available at https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf

The data for raw material used is presented in the table below:-

Raw Material Used	FY 2020	FY 2021	FY 2022
KTU WTP Project (tonnes)			
- **Reinforcement Bar**	669.81	-	33.79
- **Concrete**	10,012.80	2,593.20	153.60
ECT (litres)			
- **Diesel**	929,517.00	692,120.20	860,845.89
GF (litres)			
- **Diesel**	231,960.40	147,125.90	154,040.49
JREMT (tonnes)			
- **Nitrile & Latex**	3,113.75	3,349.34	3,159.77
- **Carton & Inner**	-	-	1,275,674

Air Quality & Noise Management

To prevent air and noise pollution on project sites, the Group ensures full compliance with local laws and regulations on the allowed ranges by the respective environmental authorities. The following initiatives are carried out:

Categories	Key Initiatives in Pollution & Resources Management	Business Unit
Air Quality	- Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood.	Construction & Engineering
Noise	- Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings.	Construction & Engineering

Sustainability Statement

Ecological Impact

Salcon acknowledges the significance of preserving the ecosystem and biodiversity on all project sites by minimising acts that have negative impacts on environmental health. Guided by the Group's Green Policy, we are committed to apply biodiversity conservation techniques to reduce biodiversity loss and generate a net positive impact on biodiversity.

The initiatives in pollution & resources management are presented in the table below:

Key Initiatives in Ecology Management	Company/Operation Country
Conducted Environmental Aspect Identification ("EAI"), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control ("HIRARC") before commencing a project.	Engineering & Construction
Strictly zero burning and zero hunting at project site.	Engineering & Construction
A signatory with World Wild Life ("WWF") to support No- Shark Fin for all our corporate functions.	Engineering & Construction
Yearly oil spillage drill to avoid soil contamination.	Engineering & Construction
Yearly tree planting day with NGO.	Engineering & Construction

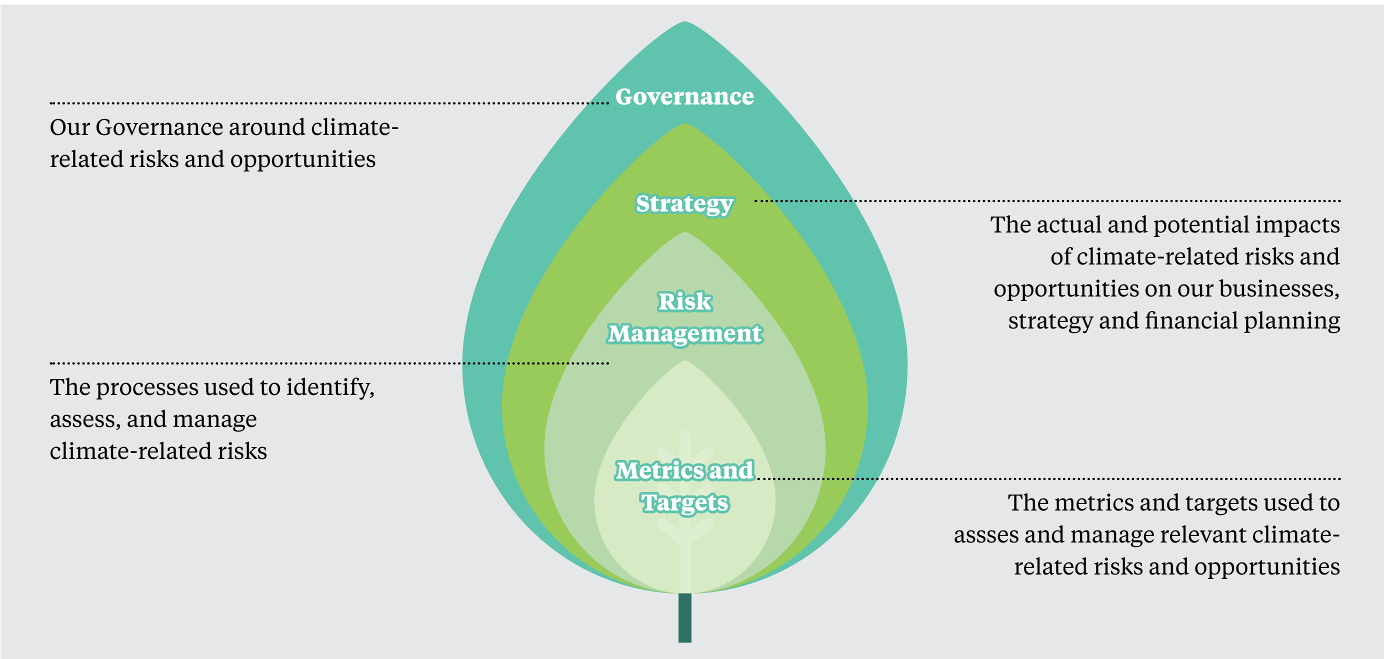
MI9 Climate Change

Commitment to Halve Emissions by 2030 and Net Zero by 2050

Salcon has committed to achieve 50% reduction of Group's carbon emission intensity by 2030 and targets to achieve Net Zero Carbon Emission by 2050.

Salcon is signatory to and supports the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations, and we are committed to developing our climate and environmental disclosures in compliance with the TCFD's requirements.

Core Elements of Recommended Climate-Related Financial Disclosure



Climate Governance

Climate governance is placed under the purview of the Sustainability Committee ("SC") with the Chairman of the SC appointed as the Advisor – Climate Change to oversee climate risks and mitigation plans. Supported by the SC, the Board provides guidance and oversight of the Group's climate change strategies to ensure alignment to our overall business strategy and goals.

Please refer to page 57 for Sustainability Governance Structure

The SWG is responsible for implementing the Group's climate strategy and ensuring that our targets and goals in reducing our carbon emissions are met. The SWG works closely with various business segments to implement environmental initiatives, review environmental data, manage risks and mitigations measures to ensure that the Group is prepared for any potential impacts of climate change.

Climate Strategy

As a diversified company, our climate strategy is designed to address the unique challenges and opportunities that arise from our operations in different sectors. We recognize that each of our business divisions have different emission profiles, and therefore require different approaches to reduce their carbon footprints.

Our climate strategy includes the following key elements:-

- Alignment with the Paris Agreement to limit global warming to below 2 degrees Celcius.
- Invest in low-carbon technologies and innovations to reduce emissions in our operations such as biogas.
- Support transition to low-carbon economy.
- Communicating our climate strategy and progress to stakeholders including shareholders, customers and employees to promote awareness and understanding of climate change issues.

During the year under review, Salcon conducted a Climate Change Scenario Planning, which involves analysing the impact of a 2°C increase on our business operations. Subsequently, we outlined our Climate Change Adaptation strategies, which included strategic partnerships and collaboration, diversification, and ensuring full compliance with environmental regulations over the short, medium, and long-term.

Scenario Analysis

In general, stricter climate regulations are associated with a rise in transition risks, while a failure to fulfil climate-targets and an unregulated level of emissions are associated with greater physical dangers.

Scenario	Description	Impact on Salcon Business
RCP 2.6	The RCP 2.6 emission and concentration pathway is typical of the research on mitigation scenarios aimed at limiting global mean temperature rise to 1°C. Carbon dioxide ("CO_2") emissions decline by 2020 and reach zero by 2100, according to RCP 2.6. This scenario is maybe an ideal scenario for limiting anthropogenic climate change.	High operational cost as more stringent environmental policy has to be complied. As business operation expands, the need of development of carbon neutral and carbon capture facilities arises. Salcon would require to invest in more energy efficient system in order to achieve the stated requirements.
RCP 4.5	RCP 4.5 is referred to as "Intermediate emissions". In RCP 4.5, emissions peak at 2040 and subsequently fall. Taking into account the exhaustibility of non-renewable fuels, RCP 4.5 is regarded as the most likely baseline scenario in the absence of a specific climate strategy.	Salcon would incur extra operational expenses under the RCP 4.5 scenario, mostly due to the rise in carbon prices and other policy interventions.

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Scenario	Description	Impact on Salcon Business
RCP 6.0	The RCP 6.0 scenario employs a high rate of greenhouse gas emissions and is a stabilisation scenario in which the total radiative forcing is stabilised after 2100 by employing a variety of technologies and tactics to reduce greenhouse gas emissions.	Salcon would see an increase in R&D expenses. Despite the sustained dominance of fossil fuels in global energy consumption, nuclear and renewable energy will rise significantly under the RCP 6.0 scenario.
RCP 8.5	Under RCP 8.5, emissions increase throughout the 21st century. This scenario includes: a rapid increase in methane emissions, a high reliance on fossil fuels, high energy intensity, high global population, and increased usage of croplands and grassland due to population growth, which lead to the long run of high energy demand and GHG emissions in absence of climate change measures.	Under RCP 8.5 scenario, Salcon would incur additional operating costs, but in this case, these would more likely arise from increased cost of operational disruption due to increased frequency of extreme weather events.

By analysing these scenarios, we identified the potential risks and opportunities and to prepare for its potential impacts on our operations and stakeholder.

Climate Risk Management

Environmental and climate change risks and opportunities are identified and mitigated through Salcon's Enterprise Risk Management ("ERM") framework which is based on the international risk management standard ISO 31000.

Refer to Statement of Risk Management & Internal Control on pages 114 to 118

Salcon utilizes the externally certified ISO 14001:2015 Environmental Management System ("EMS") to manage and mitigate its climate related operational issues such as carbon emissions, energy efficiency, water consumption and raw material resources management.

Refer to https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment

Climate-related Risks, Impacts and Our Responses

Risk Type	Description	Potential Financial Impact	Opportunities & Our Responses
Physical Risks	Extreme weather **Time Horizon** Medium/Long Term	- Damage to buildings, infrastructure, assets resulting in financial losses and decrease in revenue - Increase in logistic cost - Increase in supply chain (raw material) cost	- Emergency preparedness and response & adaption initiatives in the community - Supporting and committing to international and local climate action advocacy - Implement energy efficiency measures
	Changing global temperature patterns **Time Horizon** Medium/Long Term	- Increase in energy consumption resulting in higher operational costs - Increase in carbon credits pricing due to higher emissions	

Sustainability Statement

Risk Type	Description	Potential Financial Impact	Opportunities & Our Responses
	Legislative		
Transitional Risks	Increased carbon pricing mechanisms **Time Horizon** Long Term	- Increase in direct cost ie carbon taxes - Increasing operational costs	- Evaluation of the carbon emission intensities of diverse business segments. Please refer to "Metrics and targets" section. page 86 - Integration of internal practices for emission reductions and improvement of energy efficiency into operations
	Legal action on non-compliances **Time Horizon** Long Term	- Increase in fines/penalties	- Keep abreast on latest climate change legislations and ensure strict adherence
	Technology & Market		
	Adoption of new technologies to transition to low carbon economy **Time Horizon** Medium Term	- Increase in R&D cost to meet the low-carbon/energy-efficient market demand - Increase in operational cost	- Market diversification into renewable energy - Identify strategic technology partners in engineering & construction division - Research and development for innovative product solutions in healthcare division - Participation in seminars pertaining to the future road map for high efficiency technologies - Commitment to government's target to increase the overall percentage of renewable energy capacity in Malaysia. (From 7.6 GW in 2018 to 18.4 GW in 2040) - Opportunity to utilise Voluntary Carbon Trading scheme to establish a competitive advantage by reducing the group's carbon emissions
	Reputation		
	Damage to company reputation and brand **Time Horizon** Short/Medium Term	- Damage to brand value; income loss; increased costs - Lower investor confidence on the Group's ability to transit into low carbon economy	- Commitment to halve emissions by 50% by 2030 and net-zero by 2050 - Consider climate risks and possibilities while designing, developing, and operating assets - Development of key performance indicators for the Climate Change Strategy - Transparency and openness on strategies, targets & progress - Establishment of Internal Carbon Pricing ("ICP") that encourages the internal stakeholders to cut the Group's emission - Promoting resource efficiency by reducing waste, recycling, and taking other measures

Sustainability Statement

Metrics & Targets

The Group's carbon emission is analysed using the carbon intensity method due to the diverse nature of our businesses. The Group continues to measure and report direct carbon emissions (Scope 1) and location-based energy-indirect GHG emissions (Scope 2) from its business operations. Enhancements made to metrics and targets reporting in this financial year include:

1. Expanded emission intensity coverage to include operational/project offices data, instead of merely administrative office data.
2. Reviewed all raw data and recalculated all previous carbon emissions based on updated emission data on GHG emission factors published by US Environmental Protection Agency ("US EPA") (For Scope 1 emissions) and Combined Margin emission factor based on fuel consumption in Malaysia (For Scope 2 emissions).
3. Revised the use of tabulated units for carbon emissions to "tonne" instead of "metric tonnes, MT".
4. Include Scope 3 emissions (Category 6: Business Travel, Category 7: Employee Commuting & Category 15: Investment).
5. As ECT & Green Fleet, VBT and JREMT are not wholly-owned subsidiaries or controlled by the Company, the respective percentage of emissions from combustion fuels & electricity are calculated as Scope 3 emissions (Category 15: Investment).
6. All emission data are audited by Internal Audit team.

Group's Long-Term Target	**To reduce Group's carbon emission intensity by 50% per unit basis by 2030 and achieve Net Zero carbon emission by 2050**	
Division Yearly Reduction Targets	Engineering & Construction	To reduce carbon emission by 11% per RM1 million revenue per annum
	Transportation	To reduce carbon emission by 9% per RM1 million revenue per annum
	Technology	To reduce carbon emission by 10% per full time employee per annum
	Healthcare	To reduce carbon emission by 11% per 1,000 gloves produced per annum

Notes:

(1) Scope 1 (Direct) Greenhouse Gas Emissions: Emissions that occur from energy sources that are owned or controlled by the company. Emission factors for Scope 1 calculation are available at https://www.epa.gov/climateleadership/ghg-emission-factors-hub

(2) Scope 2 (Indirect) Greenhouse Gas Emissions: Emissions that occur from the generation of purchased electricity consumed by the company. Scope 2 emissions physically occur at the facility where electricity is generated. Emission factors for Scope 1 calculation are available at https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf

(3) Scope 3 emissions are the result of activities from assets not wholly-owned or controlled by the Company, where the emissions include the consumption of fuels and electricity of the subsidiaries. Emission factors used for the calculations for both combustion fuels and electricity are available at the references stated in above Scope 1 & 2 emissions descriptions

Division	Engineering & Construction			
Short-Term Target	To reduce carbon emission by 11% per RM1 million revenue per annum			
Year	**FY 2019 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Scope 1 Absolute Emission (tonne CO_2)	354.33	285.26	236.49	174.95
Scope 2 Absolute Emission (tonne CO_2)	142.68	144.18	133.07	134.27
Scope 3 Absolute Emission (tonne CO_2)	211.47	176.01	164.84	180.96
Total Absolute Emission (Scope 1+2+3), tonne CO_2	708.48	605.45	534.40	490.18
Revenue (RM million)	163.46	153.60	136.30	134.76
Total Emission Intensity (tonne CO_2 per RM million)	4.33	3.94	3.92	3.64
Equity Shares	100% for Salcon HQ, 60% for Envitech			
Emission Intensity based on Equity Shares (tonne CO_2 per RM million)	3.82	3.48	3.44	3.10
Office & Sites Included	**Office** : Salcon HQ, Envitech **Project Sites** : KTU WTP, Langat Package 15 (4), Telibong WTP, Ambathale Storm Water Pumping Station			**Office:** Salcon HQ, Envitech **Project Sites:** KTU WTP, Langat Package 15 (4), Telibong WTP
Yearly Trend	N/A	-8.73%	-1.33%	-9.80%
Progress	Short term target of 11% per annum for FY 2022 was nearly achieved. However, compared to base year of FY 2016, a reduction of 18.8% was achieved. To intensify efforts to achieve long term target.			

Remark: SEB which operates from Salcon HQ is a wholly-owned subsidiary of the Company and therefore, its emissions are accounted under Scope 1. However, Envitech which is 60% owned subsidiary, only accounts for its respective percentage of emissions under Scope 3 category 15 (Investment) based on operational control approach

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce 9% of carbon emission per RM1 million revenue per annum			
Year	**FY 2019 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Scope 3 Absolute Emission (tonne CO_2) (Category 15)	3,718.85	3,183.10	2,295.50	2,767.19
Revenue (RM million)	17.87	15.63	13.98	14.97
Total Emission Intensity (tonne CO_2 per RM million)	208.13	203.63	164.2	184.83
Equity Shares	51.3%			
Emission Intensity based on Equity Shares (tonne CO_2 per RM million)	106.77	104.46	84.23	94.82
Office & Sites Included	ECT, GF			
Yearly Trend	N/A	-2.16%	-19.36%	12.56%
Progress	Short term target of 9% per annum for FY 2022 was not achieved. However, compared to base year of FY 2019, a reduction of 11.2% was achieved. To intensify efforts in achieving long term target.			

Remark: Significant drop in FY 2022 Scope 3 data (electricity consumed) was due to the relocation of GF office from an office building in Subang Jaya, Selangor to lower consumption container building in Lumut, Perak

Division	Technology Services			
Short-Term Target	To reduce carbon emission by 10% per full time employee per annum			
Year	**FY 2019 (Base Year)**	**FY 2020**	**FY 2021**	**FY 2022**
Scope 3 Absolute Emission (tonne CO_2)	26.60	26.91	21.27	22.93
Full Time Employee	17	16	16	16
Emission Intensity (tonne CO_2 per headcount)	1.56	1.68	1.33	1.43
Equity Shares	50%			
Emission Intensity based on Equity Shares (tonne CO_2 per headcount)	0.78	0.84	0.66	0.72
Office & Sites Included	VBT			
Yearly Trend	N/A	7.47%	-20.96%	7.82%
Progress	Short term target of 10% per annum for FY 2022 was not achieved. However, compared to base year of FY 2019, a reduction of 8.4% was achieved. To intensify efforts in achieving long term target.			

Division	Healthcare	
Short-Term Target	To reduce carbon emission by 11% per 1,000 gloves produced per annum	
Year	**FY 2021 (Base Year)**	**FY 2022**
Scope 3 Absolute Emission (tonne CO_2)	1,879.45	1,850.30
No. of gloves produced	176,969,367	125,059,556
Emission Intensity (tonne CO_2 per 1,000 gloves produced)	0.0106	0.0148
Equity Shares	51%	
Emission Intensity based on Equity Shares (tonne CO_2 per 1,000 gloves produced)	0.0054	0.0075
Office & Sites Included	JREMT	
Yearly Trend	N/A	39.31%
Progress	Short term target of 11% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:
- *JREMT takes 2021 as base year due to the newly acquired business segment in 2021*
- *Absolute emission remained at similar level to FY 2021 although total gloves produced has reduced in FY 2022, resulting in higher emission intensity. This is because JREMT has to keep 4 production lines running although utilization is only at 50%, due to interconnectivity of the entire plant*

In 2022, Salcon started to monitor and report on its carbon emission according to Scope 3 emissions (Category 6: Business Travel & Category 7: Employee Commuting). Business travel includes travelling through flight and on-road vehicles for our engineering and construction unit. In our employee commuting, we adopt a sampling method in data collection across our various business units. Whilst the absolute Scope 3 emissions tabulated are not accounted in the emission reduction target reported, we are committed to reducing emissions from employee commuting and business travel to reduce our overall carbon footprint.

	CO_2 emission (tonne CO_2)
Scope 3 Categories	**FY 2022**
Category 6: Business Travel	26.12
Category 7: Employee Commuting	226.15
Total emission (tonne CO_2)	**252.27**

Sustainability Statement

Creating Sustainable Value through Partnerships

Sustainability is about producing sustainable value through collaborations. Internally, posters placed at printing stations in the offices serve as a reminder to reduce paper consumption. Monthly printed paper consumption by department are analysed and shared including digitizing in-house workflow.

Externally, in order to advance the Group's sustainability activities and engagement with stakeholders, Salcon works to build relationships with external organisations that are in line with its sustainability agenda.

Salcon Smart Water Programme with Water Watch Penang ("WWP")

After a long hiatus from COVID-19, Salcon resumed its flagship programme – Salcon Smart Water Programme ("SSWP") at Sungai Penchala in Bukit Kiara Park with its long-term collaborative partner – Water Watch Penang ("WWP"), reiterating its commitment on water conservation awareness and education.

For more information about the programme, please refer to the Social – Community section of this report

Annual Recycling Initiatives with SZ Slim Scrap Metal

In 2022, Salcon has organised an interdepartmental spring cleaning and recycling competition in collaboration with SZ Slim Scrap Metal Enterprise to motivate Salcon workers to recycle, reduce, and reuse the goods from their homes and offices. Throughout the campaign, 1,218 kg of paper, plastic, glass, reusable items, metal, and electrical devices were collected. Please see the environmental data monitoring section on page 80 of this report for more details regarding the recycling statistics.

Supporting Biodiversity through Salcon Tree Planting Programme with Shah Alam Botanical Garden

Salcon and Shah Alam National Botanical Garden worked together to plant 100 plants around the botanical garden. Salcon staffs and their family members took part in this biodiversity and eco-system conservation project and volunteered to strengthen ecosystem resilience and assist lessen the consequences of climate change.

S Social Capital

1 NO POVERTY · 2 ZERO HUNGER · 4 QUALITY EDUCATION · 17 PARTNERSHIPS FOR THE GOALS

Engaging and uplifting the community

- Total community investment: **RM124,793**
- Total collaboration: **10**
- Total beneficiaries: **1,527** persons benefitted
- Total employee volunteering hours: **160 HOURS**

MI11 Community Engagement

At Salcon, we are committed to creating positive impacts to uplift the lives of the communities where we work in. Our community engagement focuses at 4 key areas targeted at various groups including youths and teachers, vulnerable communities and those in need as well as the general public.

Communications and engagement with the community are crucial as this would enable us to understand the communities' needs and expectations. In this regard, whistleblowing channels with anonymous reporting is available in the company website for stakeholders to report on any suspected wrongdoings.

Guided by *SDG 17: Partnership For The Goals*, we collaborate with various parties to create positive impacts together.

Salcon's community engagement approaches:

EMPOWERING EDUCATION

Collaborating with NGOs to educate school children on sustainability topics

COMMUNITY OUTREACH

Engaging and uplifting the local community through activities/ conversations

PHILANTHROPIC GIVING

Supporting the less fortunate in terms of monetary & in-kind support

LOCAL EMPLOYMENT

Providing job opportunities to local communities through employment or internship/protégé programme

Sustainability Statement

EMPOWERING EDUCATION

Salcon Smart Water Program ("SSWP")

In the area of empowering education, Salcon partnered with NGO, Water Watch Penang to educate school children on sustainability topics through our flagship Salcon Smart Water Program ("SSWP").

During SSWP sessions held at Lembah Kiara, Taman Tun Dr. Ismail, Kuala Lumpur, the students are guided by facilitators to conduct hands-on physical, chemical, and biological river water testing to raise their awareness on water conservation and to empower them to take action creatively in reducing water consumption in schools and at home.

Five programmes were conducted in 2022, benefitting 185 students from SMK Damansara Damai 1, SMK Methodist, SMK Convent Sentul, SMK Lembah Subang and SMK Bukit Gading. The SSWP has been conducted since 2010, where a total of 85 programs have been conducted, benefitting 3,182 students.

The SSWP facilitator conducted biological water monitoring with students to identify aquatic organisms in the river

Recycling Talk and Competition with SK USJ 12

Salcon also collaborated with SW Corp to conduct a recycling talk and competition with 493 students from Sekolah Kebangsaan USJ 12, collecting and identifying recyclable items and passing them to Pertubuhan Amal Seri Sinar for further recycling/reuse purposes.

The habit of recycling and waste management was instilled through a fun and interactive talk and competition with the students of SK USJ 12

COMMUNITY OUTREACH

Malaysia Day Celebration with Special Needs Children from Pusat Jagaan Dan Latihan Insan Istimewa IMC Puchong

Under our "Salcon Cares" community outreach programme, 19 volunteers from Salcon spent quality time with over 30 special needs children from Pusat Jagaan Dan Latihan Insan Istimewa IMC Puchong in conjunction with the Malaysia Day celebrations. Through generous donations from Salcon employees which were matched by the Company, Salcon contribute more than RM7,000 in cash and in kind.

Salcon volunteers spent a meaningful day with children with special needs at Pusat Jagaan & Latihan Insan Istimewa IMC

13th Annual Blood Donation Drive

In conjunction with World Blood Donor Day 2022, Salcon held a two-day blood donation drive in collaboration with Pusat Darah Negara, PDN (or Malaysia National Blood Centre) to propel blood donation amongst employees and Subang Jaya community.

A total of 134 pints of blood was collected during the event from Salcon employees and the general public.

Besides this, we also collaborated with Hospital Assunta to provide health screening to the public, including blood pressure, Body Mass Index ("BMI"), blood glucose and cholesterol test, benefitting more than 400 people in the Subang Jaya community.

Salcon held its 13th annual blood donation drive in collaboration with Pusat Darah Negara

Dialogue with Jalan Enggang residents

Together with our client, Pengurusan Aset Air Berhad ("PAAB"), Salcon engaged with residents at the Langat 2 Package 15 (4) project to brief them on project planning as well as to listen and address their concerns.

Community engagement helps to increase the visibility and understanding of issues and concerns of residents within Salcon's project operation

Book Donation

In collaboration with NGO, Budimas Charitable Foundation, Salcon employees donated children's book to the Budimas Children's Library, to support the welfare and well-being of orang asli communities by providing a community centre and education space for them.

Salcon employees donated children's books to the Budimas Children's Library with the objective of providing educational opportunities to underprivileged children

PHILANTHROPIC GIVING

Christmas Gifts Giving & Donation to Orphanage

We brought festive joy and cheers to 30 children from Pertubuhan Kebajikan Kanak-Kanak Selangor, Klang, spending more than RM4,500 on grocery items and fulfilling the children's Christmas wish list.

Handing over Christmas gifts to orphanage at Pertubuhan Kebajikan Kanak-kanak Selangor

Back to School Programme

We also provided back-to-school essentials to 50 orphans and children from B40 families in Sekolah Kebangsaan Sri Subang Jaya through our Salcon Back to School Campaign.

50 children from SK Sri Subang Jaya benefited from the Salcon Back-to-School Programme with school essentials

LOCAL EMPLOYMENT

Local Employment

Salcon has resumed recruitment of talents to support our business development and expansion as economic activities normalize after two years of the COVID-19 pandemic. The company is committed to providing employment opportunities to local communities in line with *SDG 8: Decent work and economic growth*. To fulfill this commitment, Salcon has prioritized the recruitment of local talents, and in FY 2022, 100% of our new recruits were local. In total, 41 individuals have benefited from this local employment initiative.

For more details of our recruitment diversity, please refer to Human Capital section at page 64

Internship & Protégé Programme

Salcon also supports the Malaysian Government's initiative to create a pool of competent, well-trained, knowledgeable, and skilled graduates through industrial attachment. We provide job opportunities via internship and protégé programmes in various fields across our diversified businesses. In FY 2022, a total of seven protégé were recruited under our engineering & construction division.

MOVING FORWARD

As we progress toward embedding sustainability considerations throughout our value chain, we look to engage, collaborate and work together with our stakeholders to promote sustainable practices which create value for the Company through improving efficiency, reducing costs and enhancing our reputation. Through these efforts, we aim to promote the sustainable growth and long-term success of our business.

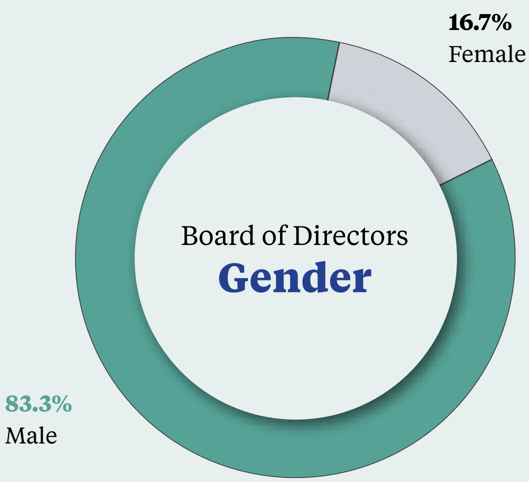
Our Board of Directors & Key Senior Management

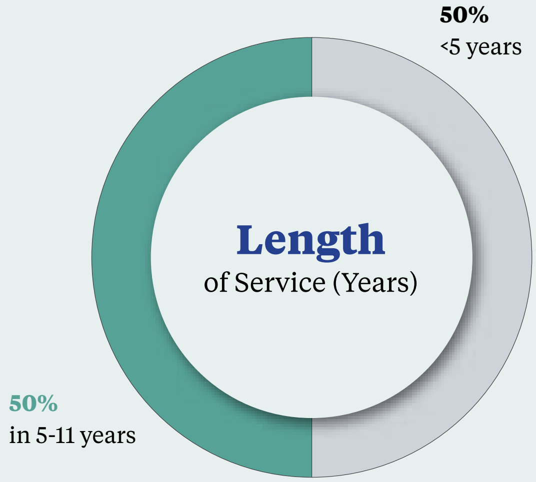
From **dedicated** and **strong board members** to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in.

Board of Directors

DIRECTORS STATISTICS

The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth of the Company by delivering profitability and a healthy economic performance.





TAN SRI ABDUL RASHID BIN ABDUL MANAF
Chairman, Independent Non-Executive Director

Male | 76 | Malaysian

Appointed to the Board:
2 January 2019

Number of Board Meeting Attended during FY 2022:
5/5

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Male | 65 | Malaysian

Appointed to the Board:
1 January 2010

Number of Board Meeting Attended during FY 2022:
5/5

Board of Directors

DATO' LEONG KOK WAH
Executive Director

Male | 69 | Malaysian

Appointed to the Board:
1 January 2010

Number of Board Meeting Attended during FY 2022:
5/5

CHAN SENG FATT
Senior Independent Non-Executive Director

Male | 59 | Malaysian

Appointed to the Board:
17 December 2014

Number of Board Meeting Attended during FY 2022:
5/5

DATIN GOH PHAIK LYNN
Non-Independent Non-Executive Director

Female | 62 | Malaysian

Appointed to the Board:
30 December 2019

Number of Board Meeting Attended during FY 2022:
5/5

DATO' ROSLI BIN MOHAMED NOR
Independent Non-Executive Director

Male | 64 | Malaysian

Appointed to the Board:
2 July 2018

Number of Board Meeting Attended during FY 2022:
5/5

Board of Directors' Profile

TAN SRI ABDUL RASHID BIN ABDUL MANAF

Chairman, Independent Non-Executive Director

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 76, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

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

Tan Sri Abdul Rashid is now a full-time businessman. Before venturing into business, he was a senior partner in a legal firm in Kuala Lumpur until his retirement on 24 August 2006. He joined the Malaysian Judicial and Legal Service in 1970 and was appointed as a Magistrate at Kuala Lumpur until 1973. He was later made the President of the Sessions Court in Klang. In 1975, he became the Senior Federal Counsel for the Income Tax Department. His services with the Government came to an end in 1977 when he left to join private practice and venture into business.

Tan Sri Abdul Rashid was the Chairman of the Board of S P Setia Berhad from 1996 until 2012. He was also the Group Chairman of Cahya Mata Sarawak Berhad from October 2018 to September 2021 and Chairman, Independent Non-Executive Director of Perak Corporation Berhad from 6 July 2020 until 1 August 2022.

Tan Sri Abdul Rashid is currently the Founder and Non-Independent Non-Executive Director of Eco World Development Group Berhad.

TAN SRI DATO' TEE TIAM LEE

Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 65, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

Tan Sri Dato' Tee is a Director of Salcon Engineering Berhad and also a Director of several private limited companies including Tabir Arena Group of Companies, Jouta Plantation Sdn. Bhd. and Evergreen Comfort Sdn. Bhd., which deal in oil palm plantation business in the east coast of West Malaysia.

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

Currently, Tan Sri Dato' Tee is also a Committee Member of Malaysia-China Chamber of Commerce ("MCCC"), the Founder-Member of The Federation of Malaysia Chinese Guilds Association and The Federation of Hokkien Association of Malaysia. Tan Sri Dato' Tee is also the Eminent Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCIM").

DATO' LEONG KOK WAH

Executive Director

Dato' Leong Kok Wah, aged 69, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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

Notes:-

1. *All Directors are Malaysian.*
2. *There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a director and major shareholder of the Company, is the spouse of Dato' Leong Kok Wah.*
3. *None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
4. *None of the Directors has been convicted for any offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2022.*

Board of Directors' Profile

DATIN GOH PHAIK LYNN

Non-Independent
Non-Executive Director

Datin Goh Phaik Lynn, aged 62, female, was appointed to the Board of Salcon on 30 December 2019.

Datin Goh holds a Master of Science and Bachelor of Science Econ from London School of Economics UK.

Datin Goh has extensive experience and an illustrious career in the Corporate Banking sector. She was the General Manager, Head of Corporate Banking and Investment Division of Ban Hin Lee Bank and a member of the Board of BHLB Pacific Trust Management Bhd (Unit Trust company) and BHLB Asset Management Bhd during her tenor with the bank from 1983 to 2000.

Datin Goh is also involved in various charity projects. She is a member of the Owen-Baden Powell Society and a member of the Board of Governors of Convent Bukit Nanas Kuala Lumpur.

Datin Goh is a member of the Audit Committee. She was appointed as a member of Nomination Committee and Remuneration Committee of the Company on 1 March 2023.

DATO' ROSLI BIN MOHAMED NOR

Independent
Non-Executive Director

Dato' Rosli Bin Mohamed Nor, aged 64, male, was appointed to the Board of Salcon on 2 July 2018.

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

Dato' Rosli has built a long and steady career in construction, trading and property development. He was a design engineer at Engineering and Environmental Consultants Sdn. Bhd. and a project manager at United Engineers (M) Bhd before starting his own construction business. His companies have undertaken construction of various projects including highways, LRT tunnels, water reservoirs and rail lines. He then moved on to other new businesses in property development and mining.

Dato' Rosli was formerly an Independent Non-Executive Director of Export-Import Bank of Malaysia Berhad. He had served for a period of nine (9) years from 2009 to 2018, longest on record for a developmental financial institution.

Dato' Rosli after having served 9 years at Econpile Bhd as an Independent Non-Executive Director has been redesignated as Non-Independent Non-Executive Director. He also sits on the board of ADS Sentral Sdn. Bhd., a subsidiary of TRC Synergy Berhad and KMK Plus Sdn. Bhd., the later being his privately owned construction firm. He is also the Corporate Advisor to Hassan (Cambodia) Co. Ltd. a prominent shopping mall developer in Cambodia.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is also the Advisor-Climate Change to oversee climate risks and mitigation plans for the Group.

CHAN SENG FATT

Senior Independent
Non-Executive Director

Chan Seng Fatt, aged 59, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

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

Mr Chan has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn. Bhd. and later was appointed as the General Manager of Halim Securities Sdn. Bhd. in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in Oct 2007 and held the position till Dec 2012.

Mr Chan was formerly an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 until 31 March 2021 and Fitters Diversified Berhad from 20 June 2014 until 1 May 2022.

Mr Chan is currently an Independent Non-Executive Director of Star Media Group Bhd, Skyworld Development Berhad and OMS Group Berhad.

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

Key Senior Management's Profile

LEONG YI SHEN

Chief Financial Officer

Male | 32 | Malaysian

Date of first appointment to key senior management position:

20 August 2021

Name of Company:

Salcon Berhad

Qualification (s):

- Bachelor of Commerce (Accounting and Finance) from The University of Melbourne.
- Victorian Certificate of Education from Scotch College, Melbourne.

Professional Qualification:

- Chartered Accountants (Malaysia)
- CPA Australia

Working Experience (s):

Leong Yi Shen started his career as an Associate in CIMB Investment Bank under "The Complete Bankers" Program in 2012 and then continued his career in CIMB Commercial Banking until 2017.

Leong Yi Shen then joined Salcon Berhad under its travel-related subsidiary, Salcon Xinlian Sdn. Bhd. and has since become more active at the Group level as Vice President, Group Strategy & Strategic Investments, Finance. He oversees a portfolio of investments on behalf of the Group and was involved in carrying out financial due diligence on acquisitions for the Group. He also heads the Renewable Energy division within the Group.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

Leong Yi Shen is the son of Dato' Leong Kok Wah and Datin Goh Phaik Lynn who are the directors and major shareholders of the Company.

Save as disclosed above, Mr Leong Yi Shen does not have any family relationship with any other Director and/or major shareholder of the Company.

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

JAMILUDDIN AMINI BIN SULAIMAN

Chief Operating Officer

Male | 55 | Malaysian

Date of first appointment to key senior management position:

29 June 2010

Name of Company:

Salcon Engineering Berhad

Qualification (s):

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

Working Experience (s):

Jamiluddin Amini Bin Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the past 32 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

After graduation, he started his career as an Environmental Analytical Chemist, followed by Project Engineer with environmental engineering companies in the United States. He was primarily involved in developing technology for hazardous wastewater control under USEPA SBIR program and operating an inorganic testing laboratory in conducting various tests on water, wastewater, soil and sludge. Upon returning to Malaysia, he joined a local engineering consulting firm and was tasked to carry out detailed engineering studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a team in Sg. Selangor Water Supply Scheme Phase 2. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project, Director of Engineering & Proposal and assumed the present position in 2021. He currently oversees the overall operation of various divisions and departments of the company in water and wastewater sectors.

Directorship in public companies and listed companies

Salcon Engineering Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

Key Senior Management's Profile

LEE THIM LOY

Managing Director

Male | 74 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

Envitech Sdn. Bhd.

Qualification (s):

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

Working Experience (s):

Ir. Lee Thim Loy has more than 49 years of experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

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

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

Ir. Lee's latest experience serves as one of the Project Directors in the design, supply, installation, testing and commissioning of the mechanical and electrical equipment for the Langat Centralised Sewage Treatment Plant caters for a population equivalent of 920,000 persons or sewage flow rate of 207,000 m³/day.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

LOW BENG PEOW

Executive Director

Male | 76 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

Envitech Sdn. Bhd.

Qualification (s):

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
- A Registered Professional Engineer with practising certificate in the branch of Environmental Engineering with the Board of Engineers, Malaysia.
- Fellow of the Institution of Engineers Malaysia.

Working Experience (s):

Ir. Low Beng Peow, has been in the environmental engineering industry for more than 42 years. His experience covered the study, design, construction, implementation and management of sewerage system including sewage treatment plants, pumping stations and sewer networks.

Ir. Low's noteworthy experience includes involvement in the multi-million ringgit Greater Kuala Lumpur Sewerage Project financed by the International Bank for Reconstruction and Development in year 70's, and successful completion of not less than 400 projects since the incorporation of Envitech Sdn. Bhd. in 1984.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

Key Senior Management's Profile

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

Chief Executive Officer

Male | 59 | Malaysian

Date of first appointment to key senior management position:

May 2014

Name of Company:

Volksbahn Technologies Sdn. Bhd.

Qualification (s):

- Bachelor of Business Administration and International Marketing from Eastern Michigan University US.

Working Experience (s):

Dato' Mohammad Hakim Low Bin Abdullah has more than 22 years of Telco Industry experience in senior positions with Malaysian and International Companies such as Wembley Industries, Lucent Technologies, Sapura Digital, Commverge Solutions and KargoCard. In his various commercial roles, he spearheaded the introduction and boost of sales for new products and services for the telecommunication and consumer industry.

Besides being the Managing Director and Co-Founder of Volksbahn Technologies Sdn. Bhd., he sits on the Board of Directors of various companies as a strategic and commercial advisor.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

VERGIS MATHEWS A/L V V MATHEW

Chief Executive Officer

Male | 62 | Malaysian

Date of first appointment to key senior management position:

1997 - Managing Director

Name of Company:

Eco-Coach & Tours (M) Sdn. Bhd.

Qualification (s):

- ACCA (UK Variance)

Working Experience (s):

Vergis Mathews has extensive career experience in various industries including transportation or logistic business for more than 22 years, film production, advertising and marketing, and audit and corporate tax.

Vergis Mathews was an Associate partner in Paul Charles & Associates from 1 February 1980 to 30 June 1986 before leaving for Coopers & Lybrand, London, United Kingdom as Audit Senior from 1 July 1986 to end 1991. He then joined the film production industry from 1 March 1992 to 30 March 2000 as Finance and Business Development Director.

In 1997, he was appointed as Managing Director of Eco-Coach & Tours (M) Sdn. Bhd. to the Fleet Operation and seconded by Petronas NGV to assist the Chairman of Commonwealth Games 1998 Rt. Gen. Tan Sri Hashim Ali on the logistic coordination and needs for 2000 unit/fleet vehicles XVI Kuala Lumpur, 1998 Commonwealth Games.

Directorship in public companies and listed companies

The Asia Nature Conservation Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

Key Senior Management's Profile

GANESAN A/L SUBRAMANIAM
Managing Director
Male | 60 | Malaysian

Date of first appointment to key senior management position:

June 2001

Name of Company:

JR Engineering and Medical Technologies (M) Sdn. Bhd.

Qualification (s):

- Diploma in Mechanical Engineering from Bradford Technical College Kuala Lumpur in 1986.

Working Experience (s):

Ganesan ventured into the glove manufacturing business in 1991 when he joined Brightway Holdings Sdn. Bhd. and was the General Manager when he left in 2001. He has more than 31 years of experience in the glove manufacturing industry as well as expertise in the design, engineering, construction of gloves dipping lines, quality control system and management in the wastewater treatment plant and boilers.

Ganesan founded JR Engineering and Medical Technologies (M) Sdn. Bhd. in 2001 and has been the Managing Director since the incorporation.

Ganesan has vast experience and knowledge in setting up of glove dipping plants and know-how technical application and inputs for plants set-up. He has advised several glove companies both locally and abroad on the setting up of gloves dipping plants.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

NIL

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 ("Practices") of the Company for the financial year ended 2022 ("FY 2022"). This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance ("MCCG") issued by Securities Commission Malaysia and is prepared in accordance with Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

Commitment from the Board

The Board recognises 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 FY 2022, except:

- Practice 5.9 (The Board comprises at least 30% women directors)
- Practice 5.10 (The Board discloses in its annual report the company's policy on gender diversity for the board and senior management)
- Practice 8.2 (The Board discloses on a named basis the top five senior management's remuneration component including, salary, bonus, benefits in-kind and other emoluments in bands of RM50,000)

The Corporate Governance Report ("CG Report") provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the FY 2022.

The CG report is available at https://www.salcon.com.my/About-Us/corporate-governance

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

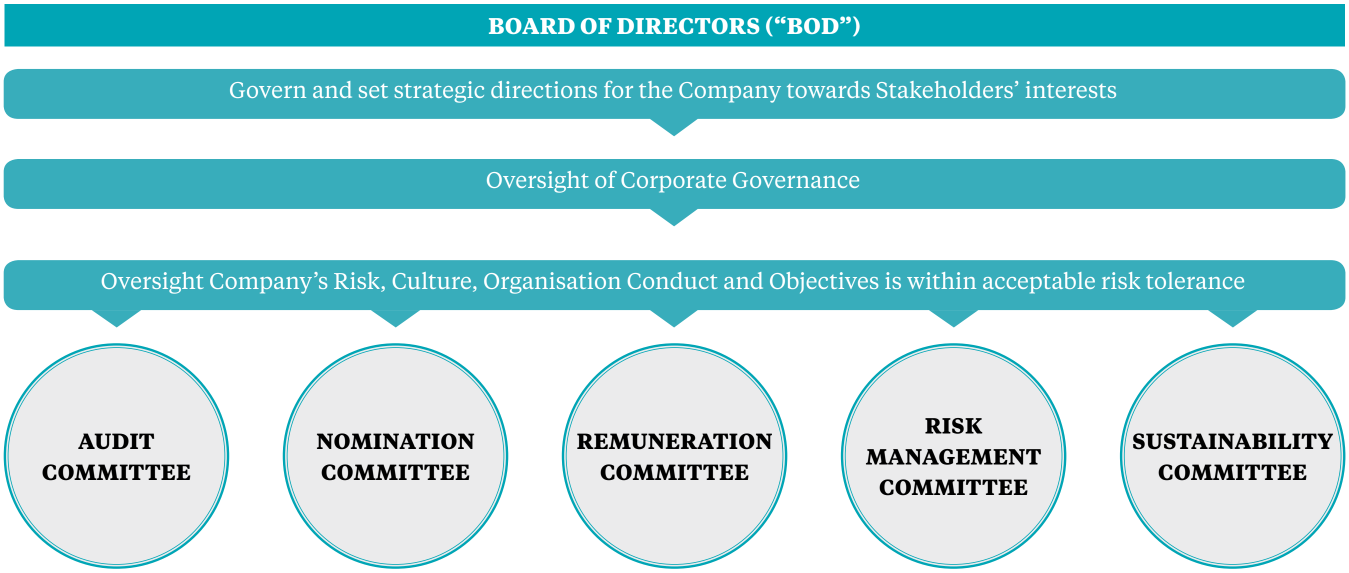
i. Board Responsibilities

The Board is the highest level governing body of the Company and the primary role of the Board is to protect and enhance shareholders' value. In discharging its fiduciary duties and leadership functions, the board is charged with the responsibility to direct and/or oversight the organizations activities/decisions and hold Management accountable.

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 (5) Board Committees appointed by the Board, namely:

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 Director ("ED") are also set out in the Board Charter. The Board will periodically review the Board Charter and Terms of References ("TORs") 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 2021 and the updated versions of the Board Charter and TORs for the respective Board Committees are available for viewing on the Company's website, https://www.salcon.com.my/About-Us/corporate-governance.

There is a clear division of responsibilities to ensure a balance of authority and power, as the roles of the Chairman and the ED are distinct and separate. The Chairman of the Board, Tan Sri Abdul Rashid bin Abdul Manaf, is an Independent Non-Executive Director ("INED") 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 Chairman of the Board is not a member of the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC"), Sustainability Committee ("SC") and Risk Management Committee ("RMC"). Thus, there is a clear and distinct division of responsibilities between the Chairman of the Board and the Committees. This is to ensure an appropriate balance of power, division of roles, responsibilities and accountability as well as objective review by the Board while deliberating on the observations and recommendations tabled by the Board Committees.

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 discharging 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.

Corporate Governance Overview Statement

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") throughout the Group since 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, discrimination, sexual harassment, etc.

The COEC is available for viewing on the Company's website, https://www.salcon.com.my/About-Us/corporate-governance

The Board is committed to and supports the principle of zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders and to comply with Section 17A of Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Anti-Corruption Policy ("ABAC") had been adopted and implemented by the Group since 2020. This is to ensure the Group has in placed adequate procedure to prevent and detect bribery and corruption. The Board formed a Sub-Board Integrity Committee in 2021 with meetings held periodically, and any outcomes are report directly to the Risk Management Committee.

The ABAC applies to all employees of the Group including directors and officers, any third party who performs services for or on behalf of the Group and joint-venture entities of Salcon.

The ABAC is available on the Company's website, https://www.salcon.com.my/About-Us/corporate-governance

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 for 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 FY 2022, 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, https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Whistle_Blowing_Policy.pdf

Sustainability Matters

Dedication and Commitment

The Board takes responsibilities for the governance of sustainability to manage the Company's sustainability risks and opportunities including setting strategies priorities and targets. To embrace and cultivate the sustainability culture, Salcon has formed a Sustainability Committee ("SC") which hold meeting at minimum once a year, and any outcomes are reported directly to the Board of Directors. Furthermore, a Sustainability Working Group Committee ("SWGC") comprises Head of Departments (Corporate Affairs, Finance and Account, Human Resource and Internal Audit and Risk Department) that report to SC has been formed to assist the coordination of sustainability matters on a lower communication ground. The five (5) main core Sustainability Framework that the Company embraced are:

i. Business Model & Innovation;
ii. Leadership and Governance;
iii. Human Capital;
iv. Environment; and
v. Social Capital.

As the Board and Heads of Departments are responsible in addressing material sustainability risks and opportunities, the NC in its annual assessment on the performance of the Board and Heads of Department also consider how well the Board and Heads of Department have addressed the Company's material sustainability risks and opportunities.

The Sustainability Statement are set out on pages 54 to 94 of this Annual Report and the Company activities carried out in FY 2022.

ii. Board Composition

During the financial year under review, the Board comprises four (4) Independent Directors and three (3) Non-Independent Directors. Thus, the Board's composition has fully complied with the Bursa Securities Listing Requirements for INED to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCCG Practice 5.2, whereby at least half of the Board's composition comprises Independent Directors.

On 31 December 2022, Dato' Choong Moh Kheng, an INED who served the Company for more than 11 years, resigned from the Company. This is to comply with the amended definition of an Independent Director under Listing Requirements which will be effective from 1 June 2023 onwards, whereby an Independent Director who has served for more than twelve (12) years must resign or be re-designated as a Non-Independent Non-Executive Director.

In relation to gender diversity for Board and Senior Management, the Board does not have a specific policy on gender diversity for Board and Senior Management as the Group practices equal employment opportunity based on objective criteria and merits, and without discrimination. The Board endeavour to consider both male and female candidates based on objective criteria, merit, contribution and with due regards for diversity in skills, experience and knowledge, the size of the Board and the needs of the Company.

The Company's Constitution provides that one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at the conclusion of the Annual General Meeting ("AGM") in every year provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election as Directors.

For the forthcoming AGM, Tan Sri Dato' Tee Tiam Lee and Datin Goh Phaik Lynn will retire as Directors pursuant to Clause 76(3) of the Company's Constitution, and being eligible, offer themselves for re-election.

The profile of the above Directors and their respective attendance in Board Meetings are presented in this Annual Report. Meanwhile, the Board's recommendation statement for the re-election of both Directors is included in the Notice of AGM dated 28 April 2023.

iii. Nomination Committee ("NC")

The selection and appointment of a new member of the Board and Board Committees are decided by the Board based on the recommendations from the NC.

The Board through the NC had on 26 May 2022, established and implemented a Fit and Proper Policy for the appointment and re-election of Directors of the Group. This Policy will enhance the governance of the Company in relation to the Board's quality and integrity, as well as ensure that each of its Directors has the character, experience, integrity, competence, time and commitment to effectively discharge his role as a Director.

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 had on 28 February 2023 conducted the Board and Board Committees performance evaluation for FY 2022, with the assistance from the internal secretarial team. 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. 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 was 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.

Corporate Governance Overview Statement

The Board has also via the NC on 28 February 2023, conducted an assessment on the fit and proper on the retiring directors who seek for re-election at the forthcoming AGM namely, Tan Sri Dato' Tee Tiam Lee and Datin Goh Phaik Lynn pursuant to the Fit and Proper Policy adopted by the Company. The NC agreed that they met the criteria as prescribed in the Fit and Proper Policy as well as Paragraph 2.20A of the Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their duties as Directors. The NC and in turn, the Board recommended to shareholders, their re-election at the forthcoming AGM of the Company.

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

The Board has through the NC, assessed the training needs of each director on an annual basis and recommended the relevant trainings to each Director for their participation. The NC is satisfied that the Directors have attended trainings to enable them to discharge their duties. Details of trainings attended by the Directors for FY 2022 are set out under "Additional Compliance Information" under pages 119 to 120 of this Annual Report.

iv. Remuneration Committee ("RC")

The Board via the RC, established and implemented 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 FY 2022 on a named basis, are disclosed under Practice 8.1 of the CG Report.

The Company has, for FY 2022, departed from Practice 8.2 of the MCCG which requires disclosures of the remuneration of the top five Senior Management personnel on a named basis in bands of RM50,000 as the Board is of the view that such information, if disclosed, raises personal security concerns on the part of the Senior Management personnel and could result in employee poaching by competitors. The alternative form of disclosures is set out in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

i. Audit Committee ("AC")

The AC takes on the role of assisting the Board in discharging its fiduciary duties in Company's Governance structure, 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 Paragraphs 15.09 and 15.10 of the Listing Requirements. Besides, the Board also adopted Practice 9.1 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 carried out in FY 2022, are set out on pages 111 to 113 of this Annual Report.

The AC had on 27 February 2022, assessed the suitability, audit quality, competency and independence of the External Auditor ("EA") i.e. Messrs. KPMG PLT ("KPMG"). In addition, 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 FY 2022.

The AC was satisfied with the above assessment and recommended to the Board to table the re-appointment of KPMG, as EA of the Company for the following financial year at the 19th AGM for shareholders' approval. During the financial year, KPMG attended three (3) out of six (6) AC meetings; to discuss their audit plan and findings. KPMG also highlighted key audit matters that required the AC's attention, inclusive of remedial actions to be undertaken within an appropriate timeframe.

During the FY 2022, the EA met the AC twice without the presence of the Executive Directors and employees, 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 with 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 FY 2022 was RM577,000 and RM35,000 respectively.

The AC has also further reviewed the related party transactions within the Group to ensure that transactions were transacted at arms-length, not detrimental to the interest of the minority shareholders and were in the best interests to the Company and its subsidiaries.

ii. Risk Management Committee ("RMC")

The Board, is assisted by the RMC and sub-committee, Risk Management Working Group ("RMWG") to identify and evaluate potential risks, and to assess the Group's level of risk tolerance and actions to mitigate the identified risks, in order to safeguard the Group's shareholders' investments and assets.

The established risk management framework which includes processes, procedures and controls for financial, operation, compliances and risk management, is to assist the Group to achieve its business objectives within the tolerable limits set.

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") on pages 114 to 118 of this Annual Report.

Internal Audit and Risk Assessment Function

The Group's internal audit and risk assessment function is performed in-house by the Internal Audit and Risk Management Department ("IARMD"), which reports directly to the AC and RMC. IARMD provides reasonable assurance after evaluating the effectiveness and efficiency on the Governance Process, Risk Management and Compliance Control.

During FY 2022, IARMD was spearheaded by Mr. Lee Chien Hean and Ms. Leong Mei Jean. On 04 January 2023, Mr. Lee Jian Xun was recruited as Head of Department for IARMD and reports functionally to the AC and administratively to the Executive Director. He is a Certified Practising Accountant (CPA Aust.) and a member of both MIA and ASEAN CPA, and a Professional Member of the Institute of the Internal Auditors Malaysia ("IIAM"). He has over 11 years of combine experienced in external audit in Mid-tier accounting firms and Internal Auditing for Government-Linked Companies and Public Listed Companies. Salcon Berhad is a registered corporate member of the IIAM.

The purpose, authority and responsibility of the internal audit activity is formally defined in the Audit Charter and periodically reviewed by the Head of IARMD and present for AC endorsement. All internal audit activities are conducted via risk based reviews, and in adherence to the guidance practices and standards of International Professional Practices Framework and ISO 19011:2018. The Risk Management assessment are in general compliance to ISO 31000 Risk Management – Guidelines.

Corporate Governance Overview Statement

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS

i. Engagement with stakeholders

Communication

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 and/or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). Alternate platforms such as social media (i.e. Facebook, Instagram and LinkedIn) is utilized by the Company to reach out to a broader range of public, shareholders, investors and interested parties.

The notice of general meetings, proxy form, Annual Report, Circular to shareholders and minutes of the general meetings are also published on the Company's website.

Corporate Disclosures

The Company has high commitment to circulate information such as corporate announcements, circular/notice to shareholders, and annual/quarterly financial results to general public in a timely and precise manner. The quarterly interim financial results are published for view, within two (2) months from end of each quarter of financial year and the financial results are presented in a clear, understandable and accurate assertion.

The disclosures provides shareholders and investors with comprehensive, accurate and quality information while promotes and maintains the Company's credibility and shareholders confidence. All disclosures complied with the Listed Issuers Corporate Disclosure Guide ("CD Guide").

Information relating to investor relations can be viewed on the Company's website, https://www.salcon.com.my/investor-relations/investor-relations.html

ii. Conduct of General Meetings

The AGM is an avenue for shareholders to participate and communicate with the Board and encourages shareholders to engage in discussions particularly on issues relating to business and affairs of the Company.

For the second consecutive year, the AGM was facilitated on a virtual basis through live streaming from the broadcast venue, with remote participation and voting facilities. The virtual platform is a continuous effort by the BOD to safeguard the safety of the Company's shareholders, employees and directors during the period of COVID-19 pandemic, while inspiring shareholders to attend the AGM and raise questions and submit votes within the prescribe timeframe.

The Chairman of the Board chaired the 19th AGM held on 23 June 2022. The Chairman encouraged shareholders to raise questions during the AGM, before putting the resolutions to vote. All the Directors, along with the Chief Operating Officer, Chief Financial Officer, Company Secretaries and EA were present to respond to the shareholders' questions, where 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 AGM and the minutes of the general meeting together with the key matters discussed are published on the Company's website, www.salcon.com.my.

The Company appointed a poll administrator and a scrutineer for the poll voting process of the AGM. Pursuant to the Listing Requirements, the Board put all resolutions to vote by poll at the meeting and announced the polling results to Bursa Securities on the same day.

The minutes of the AGM were uploaded on the Company's website within 30 business days from the date of the AGM.

This Corporate Governance Overview Statement was approved by the Board on 28 February 2023.

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 2022.

Composition and attendance

The AC comprises three (3) members, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. 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	Mr. Chan Seng Fatt (Chairman)	Senior Independent Non-Executive Director	6/6
2	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	6/6
3	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	6/6

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 is available for reference at the Company's website, https://www.salcon.com.my/About-Us/corporate-governance

Meetings

The AC held six (6) meetings in Financial Year 2022 ("FY 2022"). The Executive Director ("ED"), 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 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.

Among 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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. 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 2022, 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 determine whether there are any inappropriate scope or resource limitations 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.

Audit Committee Report

Summary of Activities of AC

The AC's activities during the FY 2022 comprised the following:-

- On 27 February 2022, the AC reviewed and recommended to the Board, the payment of final dividend for the FY 2021. 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. The AC, being satisfied with performance of the EA; recommend to the BOD, the reappointment of Messrs KPMG PLT, as the EA for the FY ending 2022. The AC also reviewed adequacy scope, functions, competency and resources of the internal audit function.

- On 7 April 2022, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2021, and subsequently recommended them to the BOD for approval.

- On 24 November 2022, the AC reviewed the Annual Audit Plan for the FY 2022 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 including 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.

- 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 2021 was conducted on 27 February 2022; and the reviews of the quarterly results of first, second and third quarters for FY 2022, were conducted on 26 May 2022, 25 August 2022 and 24 November 2022 respectively.

- The AC reviewed and discussed the Internal Audit ("IA") reports in every meeting held.

- 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 at arm's length, 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.

- The AC reviewed AC Report, Corporate Governance Overview Statement, Corporate Governance Report and SORMIC.

Internal Audit Function

The Group's internal audit functions are to evaluate and provide an independent, risk based and objective assurance, while adding value and improve the efficiency and effectiveness of the Group's operation. Internal audit activities are performed in-house by IARMD, which reports directly to the AC and adheres with the International Professional Practices Framework ("IPPF") and ISO 31000 standards on Risk Management Process. All internal audit activities for the FY 2022 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 RM458,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 11.2.

Audit Committee Report

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

- IARMD conducted audit review activities as per the 2022 Audit Plan which was approved by the AC on 27 February 2022.

- IARMD presented 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, Value-adding proposition, 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 2022 covered the following:-
  - Compliance auditing on laws, standards, regulations, policies and plan;
  - Financial auditing on economic activity of an entity as measured and reported by accounting methods;
  - Operational auditing on safeguarding of assets, product quality, safety etc.;
  - Compliance with FTSE4Good Bursa Malaysia Index requirements;
  - Attainment and alliance to Company 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 key Management, 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 the financial year ended 31 December 2022 ("FY 2022").

The Statement of Risk Management and Internal Control was prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR") and guided by Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers ("the Guidelines").

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 FY 2022, 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, value added propositions, 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 has been revised and approved for general conformity to ISO 31000 standard.

Internal controls and risk-related matters which require the Board's attention, were highlighted in the audit report and tabulated in the meetings for discussion, actions and approval.

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 Executive Director, 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") certifications:

    - Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad, is certified to ISO 9001:2015 - Quality Management System ("QMS"), ISO 14001:2015 - Environmental Management System ("EMS") and ISO 45001:2018 – Occupational Health and Safety Management System ("OHSMS") at both the corporate office and at project levels.

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

    - Under ISO 9001, ISO 14001 and ISO 45001 requirements, internal quality audits are conducted annually by Quality, Safety, Health and Environment ("QSHE") 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, https://www.salcon.com.my/About-Us/corporate-governance

    - 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 and Human Resource Policies Procedures ("HRPP") are available on the Company's intranet for easy access and reference by employees.

5. Audit

    - IARMD performs financial, operational and compliance audit. IARMD discharges its responsibilities with the guidance of terms and principles as stated in the Audit Charter. Audit activities are carried out in adherence to the Standard and Guidelines of International Professional Practices Framework ("IPPF") and ISO 19011: 2018 - Guidelines for Auditing Management Systems. IARMD reports its findings to the AC via internal audit reports. Internal audit reports will include audit findings, value added propositions, areas for improvement, audit recommendations, management replies and action plans.

Statement of Risk Management and Internal Control

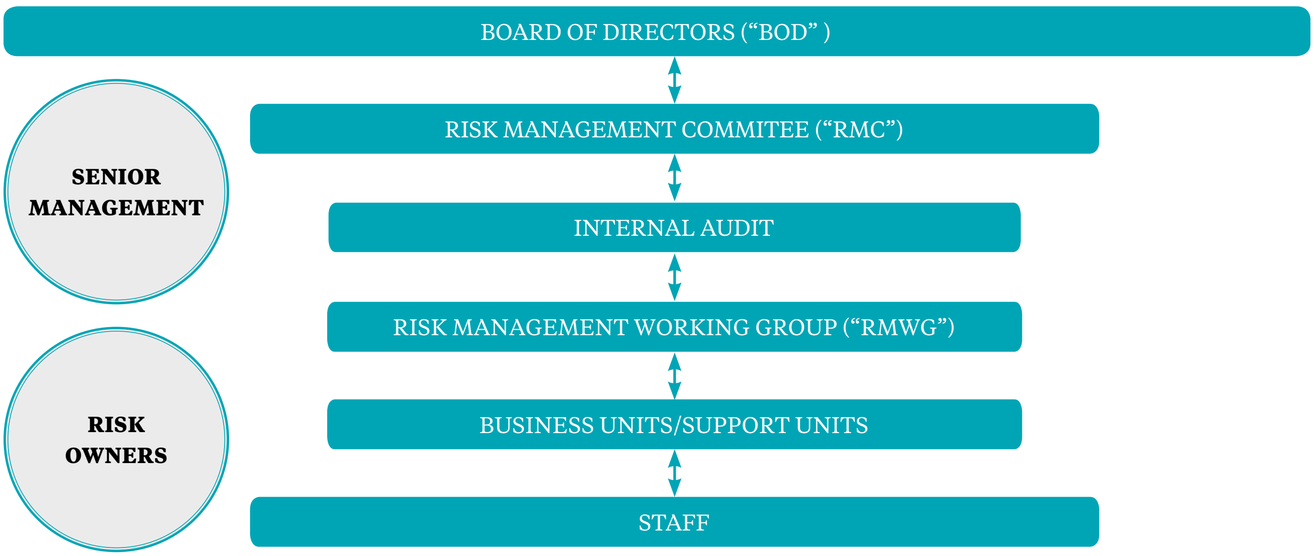
- The surveillance and re-certification audits for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 are conducted by Bureau Veritas.

- External Auditors have been engaged to provide audit and non-audit services to the Group for the FY 2022. Nature of non-audit services provided is available within the Corporate Governance Overview 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 ERM Reporting structure below illustrates how the Company ensures the efficiency and effectiveness of coordinating and integrating Company's all risk management activities.



- 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.

Statement of Risk Management and Internal Control

- The Group has been using professional specialised 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. IARMD would tabulate, report and brief the RMC on the performances of the risk management system at least once a year.

- The Group ERM Framework is regularly reviewed and risk register are presented to the RMWG and RMC for deliberation at minimum once per financial year.

7. Performance Measurement

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

   - QSHE department conducts customer satisfaction surveys 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 vendors/suppliers list for future work award.

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. Corporate Governance

   - The Group embraces high integrity culture throughout the entire organizations by establishing an Integrity Committee, that reports to RMC in 2020.

   - A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. Employees of the Company were required to acknowledge COEC on the first (1) day of employment work. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.

   - Annual Code of Ethics and Conflict of Interest Declaration Form issued by the IPPF has been acknowledged by IARMD on annual basis.

   - Salcon has an Insider Trading Policy ("ITP") 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.

   - Salcon has an Anti-Bribery and Corruption Policy to provide information and guidance to those working for or with Salcon on how to recognize and deal with potential bribery and corruption issues as well as understanding their roles and responsibilities.

Statement of Risk Management and Internal Control

- During 2022, the Company did not receive any report or incidences from whistle blowers on any possible or potential bribery or corruption from employees, management or business associates.

- Segregation of duties is practiced 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 in 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 FY 2022, 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.

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 Executive Director and Chief Financial Officer 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 6 April 2023.

Additional Compliance Information

1. ATTENDANCE/MEETING RECORDS OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 2022 "FY 2022"

			Number of Meetings Attended During FY 2022				
No	Name	Designation	BOD	AC	NC	RC	RMC
1	Tan Sri Abdul Rashid bin Abdul Manaf	Independent Non-Executive Director/ Chairman	5/5	N/A	N/A	N/A	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	5/5	N/A	N/A	N/A	1/1
4	Dato' Choong Moh Kheng (Resigned on 31/12/2022)	Independent Non-Executive Director	5/5	N/A	1/1	1/1	N/A
5	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5	6/6	1/1	1/1	1/1
6	Chan Seng Fatt	Senior Independent Non-Executive Director	5/5	6/6	1/1	1/1	N/A
7	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	6/6	N/A	N/A	N/A

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

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FY 2022

Name	Training	Date
Tan Sri Abdul Rashid bin Abdul Manaf	Sustainability and Its Impact on Organisations: What Directors and Senior Management Need to Know	4 Jul 2022
	Values as a Source of Competitive Advantage	28 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Tan Sri Dato' Tee Tiam Lee	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Dato' Leong Kok Wah	TCFD 101: Getting started with climate-related financial reporting	2 Mar 2022
	TCFD 102: Building experience in climate-related financial reporting	9 Mar 2022
	Sustainability and Its Impact on Organisations: What Directors and Senior Management Need to Know	4 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022

Additional Compliance Information

Name	Training	Date
Dato' Choong Moh Kheng (Resigned on 31/12/2022)	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Dato' Rosli Bin Mohamed Nor	Revised Malaysian Code of Corporate Governance & Amendments to Listing Requirements	23 Feb 2022
	TCFD Climate Disclosure Training Programme	2 Mar 2022
	Insights into Task Force on Climate-Related Financial Disclosures ("TFCD") and Sustainable Finance	21 Apr 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Chan Seng Fatt	AOB's Conversation with Audit Committees	7 Apr 2022
	ESG Training	19 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Datin Goh Phaik Lynn	TCFD 101: Getting started with climate-related financial reporting	2 Mar 2022
	TCFD 102: Building experience in climate-related financial reporting	9 Mar 2022
	AOB's Conversation with Audit Committees	7 Apr 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
	AOB's Conversation with Audit Committees	17 Nov 2022

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for FY 2022.

4. 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 FY 2022 are as follows:

	Company (RM)	Group (RM)
Audit Fees	193,000	577,000
Non-Audit Fees	35,000	35,000
Total Fees	228,000	612,000

5. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposal during FY 2022.

6. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The Company did not seek any mandate from its shareholders pertaining to RRPT during FY 2022.

7. EMPLOYEE SHARE SCHEME

The Company did not establish any employee share scheme and does not have any subsisting employee share scheme during FY 2022.

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 FY 2022, 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

Overview of the information about the results of business operations, financial position and statement of cash flows.

Directors' Report

for the year ended 31 December 2022

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 2022.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 7 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 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(24,330)	(726)
Non-controlling interests	(16,996)	-
	(41,326)	(726)

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 declared by the Directors were as follows:

i) In respect of the financial year ended 31 December 2021 as reported in the Director's Report of that year:

- A final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company. The total number of treasury shares distributed was 24,677,605 shares or equivalent to RM5,593,820.

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

ii) Subsequent to the financial year ended 31 December 2022:

- An interim dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2022 has been declared by the Directors for payment to shareholders whose names appear in the Record of Depositors on 10 May 2023.

Directors' Report
for the year ended 31 December 2022

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
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Rosli bin Mohamed Nor
Chan Seng Fatt
Datin Goh Phaik Lynn
Dato' Choong Moh Kheng (resigned on 31 December 2022)

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:

Jamiluddin Amini Bin Sulaiman
Lee Thim Loy
Low Ah Chye @ Low Beng Peow
Vergis Mathews a/l V V Mathew
Tan Peng Kok
Png Chiew Chuan
Tan Ban Seng
Dato' Ding Pei Chai
Soh Yoke Yan
Sam Minh Tri
Leong Yi Shen
Tee Xun Hao
Pung Wei Gin (appointed on 1 March 2023)
Peh Ju Chai
Yoong Li Yen (alternate Director of Peh Ju Chai)
Dato' Lee Chung Wah @ Lee Chung Fu
Wong Shek
Ganesan A/L Subramaniam
Hamen A/L Ganesan
See Che Chi
Wong Fuk Aen (resigned on 1 March 2023)
Pung Wei Gin (alternate Director of Wong Fuk Aen) (resigned on 1 March 2023)

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 1.1.2022	**Bought***	**Sold**	**At 31.12.2022**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	55,723,992	1,393,099	-	57,117,091
Dato' Leong Kok Wah	5,196,194	129,904	-	5,326,098
Dato' Choong Moh Kheng #	2,666,647	66,666	-	2,733,313
Deemed interest				
Tan Sri Dato' Tee Tiam Lee (1)	65,358,073	1,633,951	-	66,992,024
Dato' Leong Kok Wah (2)	96,720,810	2,418,019	-	99,138,829
Dato' Choong Moh Kheng (3)#	9,097,777	227,444	-	9,325,221
Datin Goh Phaik Lynn (4)	101,917,004	2,547,923	-	104,464,927

* Receipt of ordinary shares pursuant to the distribution of share dividends.

\# Resigned on 31 December 2022.

(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.

(4) (i) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.

None of the other Directors holding office at 31 December 2022 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 2022

DIRECTORS' INTERESTS (CONTINUED)

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

	Number of warrants 2018/2025			
	At 1.1.2022	Acquired	Exercised/ disposed	At 31.12.2022
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
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)#	2,500,000	-	-	2,500,000
Datin Goh Phaik Lynn (4)	37,266,176	-	-	37,266,176

\# Resigned on 31 December 2022.

(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 shareholding in Pembinaan Punca Cergas Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

(4) (i) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.
(ii) Deemed interested through the warrants held by spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act 2016.

The main features of the Warrant are as follows:

i) Each Warrant will entitle its Warrant Holders an option to subscribe for one (1) new ordinary share at the exercise price of RM0.30 per share at any time on or after 20 July 2018 to 19 July 2025, subject to adjustments in accordance with the provisions of the Deed Poll dated 29 June 2018 constituting the Warrant;
ii) Any Warrant not exercised during the exercise period shall thereafter lapse and cease to be valid; and
iii) The new ordinary shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the existing ordinary shares of the Company, save and except that the new ordinary shares will not be entitled to any dividends, rights, allotments, and/or other distribution that may be declared, made or paid for which the entitlement date of which precedes the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The outstanding warrants remain unexercised at the end of the financial year amounting to 336,566,643 (2021: 336,566,643).

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 32 to the financial statements.

The Directors' benefits paid to or receivable by directors in respect of the financial year ended 31 December 2022 are as follows:

	From the company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	380	-
Remuneration	2,510	2,576
Estimated money value of any other benefits	221	182
	3,111	2,758

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.

ISSUE OF SHARES AND DEBENTURES

There were no 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 17.2 to the financial statements.

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 RM20,000 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 2022

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, except for those disclosed in Note 25 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2022 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 36 to the financial statements.

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the year are RM612,000 and RM192,500 respectively.

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: 27 April 2023

Statements of Financial Position

at 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Assets					
Property, plant and equipment	3	55,051	53,971	-	-
Right-of-use assets	4	12,545	11,733	-	-
Intangible assets	5	33,924	43,803	-	-
Investment properties	6	9,078	10,547	-	-
Investments in subsidiaries	7	-	-	90,880	90,880
Investments in associates	8	17,244	16,963	-	-
Investments in joint ventures	9	37,620	41,490	23,500	23,500
Inventories	14	-	108,831	-	-
Other investments	10	13,520	4,901	13,520	4,901
Deferred tax assets	11	11,548	1,410	-	-
Trade and other receivables	12	10,404	9,859	279,557	294,433
Total non-current assets		200,934	303,508	407,457	413,714
Trade and other receivables	12	64,860	112,743	7,398	7,937
Contract assets	13	51,139	44,147	-	-
Contract costs	13	1,006	5,790	-	-
Inventories	14	120,754	12,961	-	-
Other investment	10	6,070	27,074	-	-
Current tax assets		3,983	2,777	184	186
Prepayments	12	4,291	29,012	12	13
Cash and cash equivalents	15	140,072	120,536	84,883	81,859
		392,175	355,040	92,477	89,995
Assets classified as held for sale	16	1,075	2,712	-	-
Total current assets		393,250	357,752	92,477	89,995
Total assets		594,184	661,260	499,934	503,709

Statements of Financial Position

at 31 December 2022 (continued)

	Note	Group		Company	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Equity					
Share capital		458,276	458,276	458,276	458,276
Reserves		3,510	3,389	(826)	(3,744)
(Accumulated losses)/Retained earnings		(36,755)	(6,831)	12,624	18,944
Total equity attributable to owners of the Company	17	425,031	454,834	470,074	473,476
Non-controlling interests		22,599	39,595	-	-
Total equity		447,630	494,429	470,074	473,476
Liabilities					
Trade and other payables	19	4,210	11,187	-	-
Loans and borrowings	18	6,737	9,410	-	-
Lease liabilities		671	677	-	-
Deferred tax liabilities	11	12,110	12,322	-	-
Total non-current liabilities		23,728	33,596	-	-
Trade and other payables	19	102,254	91,662	24,860	25,233
Contract liabilities	13	520	4,482	-	-
Loans and borrowings	18	18,800	30,022	5,000	5,000
Lease liabilities		1,138	1,967	-	-
Current tax liabilities		114	5,102	-	-
Total current liabilities		122,826	133,235	29,860	30,233
Total liabilities		146,554	166,831	29,860	30,233
Total equity and liabilities		594,184	661,260	499,934	503,709

The notes on pages 140 to 231 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Continuing operations					
Revenue	20	204,109	286,893	1,883	164
Cost of sales		(180,677)	(228,770)	-	-
Gross profit		23,432	58,123	1,883	164
Other income		29,916	7,025	9,563	2,976
Distribution expenses		(1,774)	(873)	(80)	(19)
Administrative expenses		(40,621)	(39,899)	(14,891)	(9,896)
Other expenses		(33,263)	(6,353)	(2,675)	(3,948)
Net (loss on)/reversal of impairment of financial instruments and contract assets		(32,267)	97	526	-
Results from operating activities		(54,577)	18,120	(5,674)	(10,723)
Finance income		1,477	911	5,272	5,021
Finance costs	22	(2,673)	(3,864)	(269)	(79)
Operating (loss)/profit		(55,773)	15,167	(671)	(5,781)
Share of profit of equity-accounted associates/ joint ventures, net of tax		4,133	12,311	-	-
(Loss)/Profit before tax		(51,640)	27,478	(671)	(5,781)
Tax credit/(expense)	23	10,320	(8,577)	(55)	28
(Loss)/Profit from continuing operations		(41,320)	18,901	(726)	(5,753)
Discontinued operations					
Loss from discontinued operations, net of tax	24	(6)	(2,125)	-	-
(Loss)/Profit for the year	25	(41,326)	16,776	(726)	(5,753)
Other comprehensive expense, net of tax					
Item that is or maybe reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	26	(2,797)	(239)	-	-
Other comprehensive expense for the year, net of tax		(2,797)	(239)	-	-
Total comprehensive (expense)/income for the year		(44,123)	16,537	(726)	(5,753)
(Loss)/Profit attributable to:					
Owners of the Company		(24,330)	11,969	(726)	(5,753)
Non-controlling interests		(16,996)	4,807	-	-
(Loss)/Profit for the year		(41,326)	16,776	(726)	(5,753)

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022 (continued)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Total comprehensive (expense)/income, attributable to:					
Owners of the Company		(27,127)	11,730	(726)	(5,753)
Non-controlling interests		(16,996)	4,807	-	-
Total comprehensive (expense)/income for the year		(44,123)	16,537	(726)	(5,753)
Basic (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(2.40)	1.40		
from discontinued operations		-	(0.21)		
		(2.40)	1.19		
Diluted (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(2.40)	1.40		
from discontinued operations		-	(0.21)		
		(2.40)	1.19		

The notes on pages 140 to 231 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2022

		Attributable to Owners of the Company						
		Non-distributable			*Distributable*			
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Translation reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2021		458,276	(3,349)	7,372	(16,785)	445,514	22,249	467,763
Foreign currency translation differences for foreign operations	26	-	-	(239)	-	(239)	-	(239)
Total other comprehensive expense for the year		-	-	(239)	-	(239)	-	(239)
Profit for the year		-	-	-	11,969	11,969	4,807	16,776
Total comprehensive (expense)/income for the year		-	-	(239)	11,969	11,730	4,807	16,537
Contributions by and distributions to owners of the Company								
Own shares acquired	17.2	-	(4,137)	-	-	(4,137)	-	(4,137)
Dividends to owners of the Company	28	-	3,742	-	(3,742)	-	-	-
		-	(395)	-	(3,742)	(4,137)	-	(4,137)
Changes in ownership interest in subsidiaries		-	-	-	1,727	1,727	(1,727)	-
Dividends to non-controlling interest		-	-	-	-	-	(2,375)	(2,375)
Allotment of additional shares		-	-	-	-	-	83	83
Acquisition of subsidiaries		-	-	-	-	-	16,558	16,558
Total transactions with owners of the Company		-	(395)	-	(2,015)	(2,410)	12,539	10,129
At 31 December 2021		458,276	(3,744)	7,133	(6,831)	454,834	39,595	494,429
		Note 17.1	Note 17.2	Note 17.3				

Statements of Changes in Equity

for the year ended 31 December 2022 (continued)

Group	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Accumulated losses 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 2022		458,276	(3,744)	7,133	(6,831)	454,834	39,595	494,429
Foreign currency translation differences for foreign operations	26	-	-	(2,797)	-	(2,797)	-	(2,797)
Total other comprehensive expense for the year		-	-	(2,797)	-	(2,797)	-	(2,797)
Loss for the year		-	-	-	(24,330)	(24,330)	(16,996)	(41,326)
Total comprehensive expense for the year		-	-	(2,797)	(24,330)	(27,127)	(16,996)	(44,123)
Contributions by and distributions to owners of the Company								
Own shares acquired	17.2	-	(2,676)	-	-	(2,676)	-	(2,676)
Dividends to owners of the Company	28	-	5,594	-	(5,594)	-	-	-
Total transactions with owners of the Company		-	2,918	-	(5,594)	(2,676)	-	(2,676)
At 31 December 2022		458,276	(826)	4,336	(36,755)	425,031	22,599	447,630
		Note 17.1	Note 17.2	Note 17.3				

Statements of Changes in Equity
for the year ended 31 December 2022 (continued)

		Attributable to Owners of the Company			
		Non-distributable		*Distributable*	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2021		458,276	(3,349)	28,439	483,366
Loss and total comprehensive expense for the year		-	-	(5,753)	(5,753)
Contributions by and distributions to owners of the Company					
Own shares acquired	17.2	-	(4,137)	-	(4,137)
Dividends to owners of the Company	28	-	3,742	(3,742)	-
Total transactions with owners of the Company		-	(395)	(3,742)	(4,137)
At 31 December 2021/1 January 2022		458,276	(3,744)	18,944	473,476
Loss and total comprehensive expense for the year		-	-	(726)	(726)
Contributions by and distributions to owners of the Company					
Own shares acquired	17.2	-	(2,676)	-	(2,676)
Dividends to owners of the Company	28	-	5,594	(5,594)	-
Total transactions with owners of the Company		-	2,918	(5,594)	(2,676)
At 31 December 2022		458,276	(826)	12,624	470,074
		Note 17.1	Note 17.2		

The notes on pages 140 to 231 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax				
- continuing operations	(51,640)	27,478	(671)	(5,781)
- discontinued operations	(6)	(2,125)	-	-
	(51,646)	25,353	(671)	(5,781)
Adjustments for:				
Amortisation of intangible assets	1,387	1,354	-	-
Depreciation of property, plant and equipment	7,787	7,535	-	-
Depreciation of right-of-use assets	1,793	1,910	-	-
Dividend income	(83)	(164)	(1,883)	(164)
Finance costs	2,673	3,864	269	79
Finance income	(1,477)	(911)	(5,272)	(5,021)
Profit guarantee	(20,800)	-	-	-
Loss on disposal of equity-accounted associate	-	427	-	223
Loss on disposal of equity interest in subsidiaries	-	1,626	-	-
Net fair value loss on other investment	719	3,171	719	3,171
Impairment loss on investment in joint ventures	322	-	-	-
Impairment loss on property, plant and equipment	-	320	-	-
Impairment loss on assets held for sale	77	-	-	-
Impairment loss on goodwill	7,006	-	-	-
Impairment loss on profit guarantee	20,800	-	-	-
Impairment loss on intellectual property	1,486	-	-	-
Net impairment loss on/(reversal of) trade receivables	11,467	(97)	-	-
Impairment loss on prepayment	22,363	-	-	-
Loss/(Gain) on disposal of other investments	-	125	-	125
Fair value loss on investment property	-	176	-	-
Loss on disposal of assets held for sale	131	-	-	-
Gain on disposal of property, plant and equipment	(121)	(158)	-	-
Gain on lease termination	(15)	-	-	-
Property, plant and equipment written off	-	284	-	-

Statements of Cash Flows

for the year ended 31 December 2022 (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities (continued)				
Reversal of impairment loss of property, plant and equipment	(17)	-	-	-
Share of profit of equity-accounted associates/joint ventures, net of tax	(4,133)	(12,311)	-	-
Unrealised foreign exchange differences	(1,327)	(1,547)	(1,295)	103
Other receivables written off	-	20	-	-
Waiver of amount due to subsidiaries	-	-	-	(908)
Operating (loss)/profit before changes in working capital	(1,608)	30,977	(8,133)	(8,173)
Changes in trade and other receivables and prepayments	49,629	11,730	15,415	(18,567)
Changes in contract assets	(6,876)	17,796	-	-
Changes in contract costs	4,784	(1,197)	-	-
Changes in inventories	1,038	(52)	-	-
Changes in trade and other payables	3,615	(11,367)	(372)	2,145
Changes in contract liabilities	(3,962)	(3,940)	-	-
Cash generated from/(used in) operations	46,620	43,947	6,910	(24,595)
Interest paid	(1,300)	(162)	-	-
Tax paid	(6,224)	(4,706)	(53)	(746)
Net cash from/(used in) operating activities	39,096	39,079	6,857	(25,341)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(9,698)	(12,026)	-	-
Acquisition of other investments	(9,338)	(28,955)	(9,338)	(8,048)
Acquisition of investment properties	-	(982)	-	-
Redemption of investment from fund investments	17,129	3,400	-	-
Distribution income from fund investments	(125)	(163)	-	-
Dividend received from:				
- Joint ventures	-	-	1,800	-
- Other investments	83	164	83	164
Acquisition of subsidiaries (Note 35.1)	-	(17,256)	-	(2,856)
Interest received	1,477	911	5,272	5,021
Net cash inflow from disposal of equity-accounted associate, net of cash and cash equivalents disposed of (Note 24)	-	140	-	26
Proceeds from disposal of property, plant and equipment	139	416	-	-
Proceeds from disposal of asset held for sale	2,712	-	-	-

Statements of Cash Flows

for the year ended 31 December 2022 (continued)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities (continued)				
Proceeds from disposal of investment properties	631	-	-	-
Proceeds from disposal of other investments	-	8,783	-	8,783
Net cash from/(used in) investing activities	3,010	(45,568)	(2,183)	3,090
Cash flows from financing activities				
Dividends paid to non-controlling interests	-	(2,375)	-	-
Drawdown from borrowings	205	12,488	-	5,000
Interest paid	(1,373)	(3,702)	(269)	(79)
Repayment of finance lease liabilities	(2,497)	(261)	-	-
Repayment of lease liabilities	(2,022)	(779)	-	-
Repayment of borrowings	(13,133)	(14,292)	-	-
Repurchase of treasury shares	(2,676)	(4,137)	(2,676)	(4,137)
Net cash (used in)/from financing activities	(21,496)	(13,058)	(2,945)	784
Net increase/(decrease) in cash and cash equivalents	20,599	(19,547)	1,729	(21,467)
Cash and cash equivalents at beginning of the year	120,495	142,076	81,859	103,429
Effect of exchange rate fluctuations on cash held	(1,074)	(2,034)	1,295	(103)
Cash and cash equivalents at end of the year	140,020	120,495	84,883	81,859

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		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits placed with licensed banks	15	116,508	39,341	83,077	21,562
Cash and bank balances	15	23,564	81,195	1,806	60,297
		140,072	120,536	84,883	81,859
Bank overdrafts	18	(22)	(11)	-	-
Pledged deposits	15	(30)	(30)	-	-
		140,020	120,495	84,883	81,859

Statements of Cash Flows
for the year ended 31 December 2022 (continued)

Cash outflows for leases as a lessee

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Included in net cash from operating activities					
Payment relating to short-term leases	25	34	93	-	-
Payment relating to leases of low value assets	25	24	26	-	-
Interest paid in relation to lease liabilities	22	1,300	162	-	-
Included in net cash from financing activities					
Payment of lease liabilities		2,022	779	-	-
Total cash outflows for leases		3,380	1,060	-	-

Reconciliation of movements of lease liabilities to cashflows arising from financing activities

Group	Lease liabilities RM'000	Total liabilities from financing activities RM'000
At 1 January 2021	2,818	2,818
Net changes from financing cash flows	(779)	(779)
Acquisition of new lease	108	108
Acquisition through business combination	497	497
At 31 December 2021/1 January 2022	2,644	2,644
Net changes from financing cash flows	(2,022)	(2,022)
Lease termination	(225)	(225)
Acquisition of new lease	1,412	1,412
At 31 December 2022	1,809	1,809

The notes on pages 140 to 231 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 2022 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 2022 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 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 April 2023.

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 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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements –Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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

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

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the abovementioned amendments is not expected to have any material financial impact to the current period and prior year financial statements of the Group and the Company.

(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.

(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.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

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 4 - extension options and incremental borrowing rate in relation to leases
- Note 5 - measurement of the recoverable amounts of cash generating units
- Note 6 - valuation of investment properties
- Note 11 - recognition of deferred tax assets on unutilised tax losses
- Note 20 - revenue from construction contracts

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.

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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. 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

(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.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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(m)(i)) where the effective interest rate is applied to the amortised cost.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Fair value through profit or loss (continued)

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(m)(i)).

Financial liabilities

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.

(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.

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.

(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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Derecognition (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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	10 - 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.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Research and development (continued)

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 rights, software and trademarks are recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

• land use rights	67 ½ years
• software and trademark	8 years
• customer relationship	10 years

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

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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 which are owned are measured initially at cost. 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. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (continued)

(i) Investment properties carried at fair value (continued)

Subsequently, investment properties are measured at fair value with any changes 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.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

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

(i) Property development

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.

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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories (continued)

(ii) Manufacturing inventories and completed properties

The cost of manufacturing inventories is calculated using the first-in, first-out 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. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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.

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

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.

(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, contract assets, contract costs, 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.

(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(m)(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

(l) 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.

(m) Impairment

(i) Financial assets

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, and contract assets are always measured at an amount equal to lifetime expected credit loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(i) Financial assets (continued)

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.

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(ii) Other assets (continued)

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.

(n) 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.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) Revenue and other income

(i) Revenue from contracts with customers

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue and other income (continued)

(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.

(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.

(r) 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.

(s) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

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.

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.

(t) 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.

(u) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) Contingencies

(i) 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(x) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Fair value measurements (continued)

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.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	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
Cost								
At 1 January 2021		733	5,061	13,378	29,570	5,290	446	54,478
Additions		-	-	6,885	871	255	4,015	12,026
Transfer to assets held for sales	16.1	-	(2,265)	-	-	-	-	(2,265)
Disposals		-	(226)	(91)	(923)	-	-	(1,240)
Acquisition through business combination	35.1	-	1,695	31,414	852	65	-	34,026
Write-off		-	-	-	(1,011)	(63)	-	(1,074)
Effect of movements in exchange rates		-	-	378	6	(5)	-	379
At 31 December 2021/1 January 2022		733	4,265	51,964	29,365	5,542	4,461	96,330
Additions		-	6,537	2,334	543	464	-	9,698
Transfer to assets held for sales	16.3	-	-	-	(445)	-	-	(445)
Disposals		-	-	(32)	(242)	-	-	(274)
Write-off		-	-	-	-	-	-	-
Effect of movements in exchange rates		-	-	(39)	2	1	-	(36)
At 31 December 2022		733	10,622	54,227	29,223	6,007	4,461	105,273

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	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
Depreciation and impairment loss								
At 1 January 2021								
Accumulated depreciation		-	723	5,245	25,572	4,385	-	35,925
Accumulated impairment loss		-	-	625	37	-	-	662
		-	723	5,870	25,609	4,385	-	36,587
Depreciation for the year		-	157	4,758	2,228	392	-	7,535
Impairment loss for the year		-	288	-	32	-	-	320
Disposals		-	(28)	(31)	(923)	-	-	(982)
Transfer to assets held for sales	16.1	-	(465)	-	-	-	-	(465)
Write-off		-	-	-	(765)	(25)	-	(790)
Effect of movements in exchange rates		-	-	157	3	(6)	-	154
At 31 December 2021/1 January 2022								
Accumulated depreciation		-	675	10,129	26,115	4,746	-	41,665
Accumulated impairment loss		-	-	625	69	-	-	694
		-	675	10,754	26,184	4,746	-	42,359

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	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
Depreciation and impairment loss (continued)								
At 31 December 2021/1 January 2022								
Accumulated depreciation		-	675	10,129	26,115	4,746	-	41,665
Accumulated impairment loss		-	-	625	69	-	-	694
		-	675	10,754	26,184	4,746	-	42,359
Depreciation for the year		-	920	5,075	1,376	416	-	7,787
Impairment loss for the year		-	-	-	-	-	-	-
Disposals		-	-	(14)	(242)	-	-	(256)
Write-off		-	-	-	-	-	-	-
Effect of movements in exchange rates		-	-	344	3	2	-	349
Reversal of impairment loss		-	-	(17)	-	-	-	(17)
At 31 December 2022								
Accumulated depreciation		-	1,595	15,534	27,252	5,164	-	49,545
Accumulated impairment loss		-	-	608	69	-	-	677
		-	1,595	16,142	27,321	5,164	-	50,222
Carrying amounts								
At 1 January 2021		733	4,338	7,508	3,961	905	446	17,891
At 31 December 2021/1 January 2022		733	3,590	41,210	3,181	796	4,461	53,971
At 31 December 2022		733	9,027	38,085	1,902	843	4,461	55,051

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Pledged assets

Included in the net book value of buildings are amounts of RM1,322,000 (2021: RM1,355,000) charged to a licensed bank for facility granted to the Group (Note 18.1).

4. RIGHT-OF-USE ASSETS

	Note	Land RM'000	Buildings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group						
At 1 January 2021		90	2,645	91	8,366	11,192
Additions		-	108	-	2,085	2,192
Depreciation	4.1	(43)	(1,320)	(91)	(687)	(2,140)
Acquisition through business combination	35	-	489	-	-	489
At 31 December 2021/ 1 January 2022		47	1,922	-	9,764	11,733
Additions		-	2,011	415	505	2,931
Depreciation	4.1	(26)	(1,154)	(82)	(647)	(1,909)
Derecognition		-	(210)	-	-	(210)
At 31 December 2022		21	2,569	333	9,622	12,545

The Group leases a few parcels of land, office spaces and warehouse facilities that run between one year and five years, with an option to renew the lease after that date. Lease payments are normally increased every three years to reflect current market rentals.

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.1 Depreciation capitalised in carrying amount of another asset

	2022		2021	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Recognised in profit or loss	1,793	-	1,910	-
Capitalised into work-in-progress	116	-	230	-
	1,909	-	2,140	-

4.2 Extension options

Some lease contracts contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.3 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

Notes to the Financial Statements

5. INTANGIBLE ASSETS

Group	Goodwill RM'000	Customer relationship RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
Cost					
At 1 January 2021	4,844	-	18,148	3,302	26,294
Acquired through business combination	14,517	6,900	-	-	21,417
At 31 December 2021/1 January 2022/31 December 2022	19,361	6,900	18,148	3,302	47,711
Amortisation and impairment loss					
At 1 January 2021					
Accumulated amortisation	-	-	(568)	(826)	(1,394)
Accumulated impairment loss	(1,160)	-	-	-	(1,160)
	(1,160)	-	(568)	(826)	(2,554)
Amortisation for the year	-	(658)	(284)	(412)	(1,354)
At 31 December 2021/1 January 2022					
Accumulated amortisation	-	(658)	(852)	(1,238)	(2,748)
Accumulated impairment loss	(1,160)	-	-	-	(1,160)
	(1,160)	(658)	(852)	(1,238)	(3,908)
Amortisation for the year	-	(690)	(284)	(413)	(1,387)
Impairment for the year	(7,006)	-	-	(1,486)	(8,492)
31 December 2022					
Accumulated amortisation	-	(1,348)	(1,136)	(1,651)	(4,135)
Accumulated impairment loss	(8,166)	-	-	(1,486)	(9,652)
	(8,166)	(1,348)	(1,136)	(3,137)	(13,787)
Carrying amounts					
At 1 January 2021	3,684	-	17,580	2,476	23,740
At 31 December 2021/1 January 2022	18,201	6,242	17,296	2,064	43,803
At 31 December 2022	11,195	5,552	17,012	165	33,924

5. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Impairment testing for cash-generating units containing goodwill

Impairment testing for goodwill is performed annually. For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Group	Note	2022 RM'000	2021 RM'000
Wastewater projects		3,684	3,684
Healthcare	35.1	7,511	14,512
Others		-	5
At 31 December		11,195	18,201

Wastewater projects unit

The recoverable amount has been determined based on its value-in-use. Key assumptions used in preparing the financial budgets represents management's assessment of future trends with certain reference made to both external sources and internal sources (historical data) are as follows.

- Cash flows were projected based on past experience, actual operating results attained in the past four years and five years cash flow projections were prepared. Cash flows for a 6th year onwards were assumed using a terminal growth rate of 1%.
- Revenue was projected based on the average of past four years for the first year of the forecast. A 3% growth rate was assumed for the subsequent years.
- Cost of sales are assumed to be consistent with revenue growth where the gross profit margin to be assumed at 16.2% (2021: average of 17.3%).
- A pre-tax discount rate of 19.0% (2021: 13.3%) was applied in determining the recoverable amount of the unit.

Based on the impairment assessment, there was no indication of impairment on goodwill of wastewater projects unit during the financial year. In addition, there were also assessment on the key assumptions used and sensitivity of such assumptions to impairment loss. Sensitivity to changes in assumptions are as follows:

(i) An increase of 1 percentage point in the discount rate used would not result in impairment loss.

(ii) A 1% decrease in future planned revenues growth would have resulted in an impairment loss of RM2,881,000.

(iii) A 1 % decrease in earnings before interest, tax, depreciation, and amortisation ("EBITDA") margin would not result in impairment loss.

5. INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

Impairment testing for cash-generating units containing goodwill (continued)

Healthcare unit

The recoverable amount of the unit was based on its value in use, determined by discounting future cash flows to be generated by the unit. The carrying amount of the unit amounting to RM37,057,000 was determined to be higher than its recoverable amount of RM30,057,000 and an impairment loss of RM7,006,000 (2021: nil) was recognised. The impairment loss was allocated fully to goodwill and is included in other expenses in the statement of profit or loss and other comprehension income. The impairment loss was mainly due to general adverse market conditions subsequent to exceptional higher glove demand during COVID-19 period.

- Cash flows were projected based on past-experience, actual operating results attained in the past three years and five years cash flow projections were prepared. Cash flows for a 6th year onwards were assumed using a terminal growth rate of 1%.
- The anticipated annual revenue growth was assumed to be at a range of 10% to 16%.
- Manufacturing and trading cost growth was assumed to be consistent with revenue growth where the gross profit margin to be assumed at an average of 12% depending on type of product in the projection. The estimated margin was based on past operating result for the Company.
- A pre-tax discount rate of 19.3% was applied in determining the recoverable amount of the business. The discount rate was estimated based on an industry average weighted average cost of capital.

Following an impairment in the unit, the recoverable amount is equal to the carry amount. Therefore, any adverse change in a key assumption may result in a further impairment loss.

The above estimate are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM1,848,000.
- A 1% decrease in future planned revenues growth would have increased the impairment loss by RM1,820,000.
- A 1% decrease in earnings before interest, tax, depreciation, and amortisation ("EBITDA") margin would have increased the impairment loss by RM2,155,000.

In prior year, the recoverable amount of the unit was based on its fair value less costs of disposal, determined by discounting the projected future cash flows of the unit. Key assumptions used in preparing the cash flows represents management's assessment of future trends with certain reference made to both external sources and internal sources (historical data). The key assumptions used were revenue projection, terminal growth rate of 2% and discounted with pre-tax discount rate of 18.1%.

The fair value measurement was categorised as a Level 3 fair value based on inputs in the valuation techniques used.

Customer relationships

Customer relationship with estimated economic definite useful life is amortised over a period of 10 years, with remaining amortisation period of 9 years.

5. INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

Impairment testing for cash-generating units containing goodwill (continued)

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.

6. INVESTMENT PROPERTIES

	Note	Group 2022 RM'000	Group 2021 RM'000
At beginning of year		10,547	9,924
Addition		-	982
Acquisition through business combination	35.1	-	729
Disposal		(708)	-
Change in fair value		(131)	(176)
Transfer to assets held for sale	16.2	(630)	(912)
At end of year		9,078	10,547

Included in the above are:

	Group 2022 RM'000	Group 2021 RM'000
At fair value		
Freehold land	89	89
Freehold land and buildings	1,185	1,239
Leasehold land and buildings with unexpired lease period of more than 50 years	7,804	9,219
	9,078	10,547

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

	Group 2022 RM'000	Group 2021 RM'000
Direct operating expenses:		
- income generating investment properties	6	6

6. INVESTMENT PROPERTIES (CONTINUED)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2022		2021	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Group				
Land	89	89	89	89
Buildings	8,989	8,989	10,458	10,458
	9,078	9,078	10,547	10,547

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: RM212 to RM847 (2021: RM212 to RM847).	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Cost of investment	100,318	100,318
Less: Impairment losses	(9,438)	(9,438)
	90,880	90,880

7. 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 2022 %	2021 %
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	100	100
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Dormant	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	Provision of financial assistance	100	100
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	-	70
Salcon Petroleum Services (Labuan) Limited	Malaysia	Dormant	100	100
Salcon Xinlian Sdn. Bhd. ^	Malaysia	Dormant	51	51
Inergist Sdn. Bhd. ^	Malaysia	Investment holding	70	70
Fortune Command Sdn. Bhd. ^	Malaysia	Dormant	-	100
Nusantara Jasakita Sdn. Bhd.	Malaysia	Investment holding	100	100
Glitteria Sdn. Bhd. ^	Malaysia	Dormant	100	100
Kunci Sempurna Sdn. Bhd.^	Malaysia	Dormant	100	100
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	-	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.	Malaysia	Dormant	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Dormant	-	100

Notes to the Financial Statements

7. 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 2022 %	2021 %
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon (Perak) Sdn. Bhd. @ ^	Malaysia	Dormant	40	40
Logit Sdn. Bhd. ^	Malaysia	Development and marketing of a web-based system	100	100
Salcon (Sarawak) Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100
Salcon WP Sdn. Bhd. ^	Malaysia	Dormant	60	60
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	-	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiary of Salcon Capital Sdn. Bhd.:				
Eco-Coach & Tours (M) Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Subsidiary of Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.:				
JTT Advisory Sdn. Bhd.	Malaysia	Dormant	100	100
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	100	100
Subsidiary of Eco-Coach & Tours (M) Sdn. Bhd.:				
Senstrac Sdn. Bhd. ^	Malaysia	E-commerce travel and Tourism	51	51
Subsidiary of Senstrac Sdn. Bhd.:				
Eco Tours Asia Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Green Fleet Sdn. Bhd. ^	Malaysia	Transportation services	51	51

7. 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 2022 %	2021 %
Subsidiary of Inergist Sdn. Bhd. (f.k.a. Salcon SER Sdn. Bhd.):				
Satria Megajuta Sdn. Bhd. ^ #	Malaysia	Sales of solar energy	47	47
Fortune Command Sdn. Bhd. ^	Malaysia	Dormant	70	-
Subsidiary of Nusantara Jasakita Sdn. Bhd.:				
JR Engineering and Medical Technologies (M) Sdn. Bhd.	Malaysia	Gloves manufacturing, Import and export of varieties of goods	51	51
JR Healthcare Sdn. Bhd.^	Malaysia	Import and export of varieties of goods	100	100

* 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 entity by virtue of its majority ownership through its subsidiaries.

7.1 Non-controlling interest in subsidiaries

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

	Envitech Sdn. Bhd. RM'000	JR Engineering and Medical Technologies (M) Sdn. Bhd. RM'000
2022		
NCI percentage of ownership interest and voting interest	40%	49%
Carrying amount of NCI	22,328	(4,457)
Loss allocated to NCI	(408)	(16,740)
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	15,922	54,628
Current assets	50,598	20,179
Non-current liabilities	(101)	(27,710)
Current liabilities	(10,598)	(38,001)
Net assets/(liabilities)	55,821	(9,096)

Notes to the Financial Statements

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 Non-controlling interest in subsidiaries (continued)

	Envitech Sdn. Bhd. RM'000	JR Engineering and Medical Technologies (M) Sdn. Bhd. RM'000
2022		
Summarised financial information before intra-group elimination		
Year ended 31 December		
Revenue	38,275	54,501
Loss for the year	(1,021)	(31,132)
Total comprehensive expense	(1,021)	(31,132)
Cash flows used in operating activities	(4,207)	(5,694)
Cash flows generated from/(used in) investing activities	5,838	(10,639)
Cash flows (used in)/generated from financing activities	(5,068)	14,974
Net decrease in cash and cash equivalents	(3,437)	(1,359)
Dividends paid to NCI	-	-
2021		
NCI percentage of ownership interest and voting interest	40%	49%
Carrying amount of NCI	22,737	21,197
(Loss)/Profit allocated to NCI	(671)	7,313
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	15,685	41,090
Current assets	55,327	57,239
Non-current liabilities	(1,632)	(6,680)
Current liabilities	(12,538)	(48,391)
Net assets	56,842	43,258

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

7.1 Non-controlling interest in subsidiaries (continued)

	Envitech Sdn. Bhd. RM'000	JR Engineering and Medical Technologies (M) Sdn. Bhd. RM'000
2021		
Summarised financial information before intra-group elimination		
Year ended 31 December		
Revenue	23,026	132,844
(Loss)/Profit for the year	(1,678)	14,421
Total comprehensive (expense)/income	(1,678)	14,421
Cash flows generated from/(used in) operating activities	2,604	(14,049)
Cash flows generated from/(used in) investing activities	788	(6,031)
Cash flows (used in)/generated from financing activities	(69)	17,743
Net increase/(decrease) in cash and cash equivalents	3,323	(2,337)
Dividends paid to NCI	2,000	-

8. INVESTMENTS IN ASSOCIATES

	Group	
	2022 RM'000	2021 RM'000
Investment in shares	21,824	21,824
Share of post-acquisition reserves	1,612	1,331
Less: Impairment loss	(6,192)	(6,192)
	17,244	16,963

Notes to the Financial Statements

8. 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 2022 %	Effective ownership interest and voting interest 2021 %
Associates 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

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.

Group	EUC 2022 RM'000	EUC 2021 RM'000
Summarised financial information as at 31 December		
Current assets	43,129	44,007
Current liabilities	(19)	(20)
Net assets	43,110	43,987
Year ended 31 December		
Profit for the year	783	663
Other comprehensive income	957	2,136
Total comprehensive income	1,740	2,799

Notes to the Financial Statements

8. INVESTMENTS IN ASSOCIATES (CONTINUED)

Group	EUC RM'000
2022	
Reconciliation of net assets to carrying amount as at 31 December	
Group's share of net assets	17,244
Carrying amount in the statement of financial position	17,244
Group's share of results for the year ended 31 December	
Group's share of profit or loss from continuing operations	281
Other information	
Dividends received by the Group	-
2021	
Reconciliation of net assets to carrying amount as at 31 December	
Group's share of net assets	16,963
Carrying amount in the statement of financial position	16,963
Group's share of results for the year ended 31 December	
Group's share of profit or loss from continuing operations	236
Other information	
Dividends received by the Group	-

9. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Investment in shares	29,063	29,063	23,500	23,500
Share of post-acquisition reserves	8,879	12,427	-	-
Less: Impairment loss	(322)	-	-	-
	37,620	41,490	23,500	23,500

Notes to the Financial Statements

9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2022 %	Proportion of ownership interest 2021 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	9.1	50 plus 2 shares	50 plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	9.2	36	36
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	9.3	50	50
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	9.4	50	50
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	9.5	30	30

9.1 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 constitutes a joint arrangement as the entity is jointly controlled by the Group and the other shareholder.

9.2 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.

9.3 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.

9.4 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”).

9.5 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.

9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Summarised financial information						
As at 31 December						
Non-current assets	11,104	639	-	-	15,270	16,865
Current assets	8,689	19,932	34,392	45,642	13,623	12,343
Non-current liabilities	-	-	-	-	-	(91)
Current liabilities	(2,038)	(978)	(25,630)	(27,031)	(15,212)	(16,848)
Cash and cash equivalents	1,095	3,238	3,101	11,778	7,846	9,326
Year ended 31 December						
Profit from continuing operations	163	764	151	18,451	5,011	5,710
Total comprehensive income	163	764	151	18,451	5,011	5,710
Included in the total comprehensive income/(expense) are:						
Revenue	10,630	12,007	23	24,734	21,565	16,723
Interest income	55	80	225	683	11	14
Interest expense	(3)	(4)	(812)	(1,219)	(26)	(196)
Tax (expense)/income	(86)	(219)	-	-	(2,522)	1,439

Notes to the Financial Statements

9. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	WESB RM'000	L2 RM'000	VTSB RM'000	Other immaterial joint ventures RM'000	Total RM'000
2022					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	5,327	4,381	6,840	2,269	18,817
Carrying amount in the statement of financial position	5,327	9,034	20,990	2,269	37,620
Group's share of results for the year ended 31 December					
Group's share of profit from continuing operations	104	75	3,227	446	3,852
Group's share of total comprehensive income	104	75	3,227	446	3,852
Other information					
Dividends received by the Group	600	5,000	1,800	-	7,400
2021					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	6,022	9,305	5,431	1,929	22,687
Carrying amount in the statement of financial position	6,022	13,958	19,581	1,929	41,490
Group's share of results for the year ended 31 December					
Group's share of profit from continuing operations	301	9,226	2,133	415	12,075
Group's share of total comprehensive income	301	9,226	2,133	415	12,075
Other information					
Dividends received by the Group	-	-	-	-	-

10. OTHER INVESTMENTS

Group	Shares RM'000	Others RM'000	Total RM'000
2022			
Non-current			
Fair value through profit or loss			
- Quoted shares	13,520	-	13,520
Current			
Fair value through profit or loss			
- Fund investment	-	5,070	5,070
- Other investment	-	1,000	1,000
	-	6,070	6,070
2021			
Non-current			
Fair value through profit or loss			
- Quoted shares	4,901	-	4,901
Current			
Fair value through profit or loss			
- Fund investment	-	22,074	22,074
- Other investment	-	5,000	5,000
	-	27,074	27,074
Company			
2022			
Non-current			
Fair value through profit or loss			
- Quoted shares	13,520	-	13,520
2021			
Non-current			
Fair value through profit or loss			
- Quoted shares	4,901	-	4,901

Notes to the Financial Statements

11. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	-	-	(8,385)	(6,945)	(8,385)	(6,945)
Other items	9,347	-	-	(852)	9,347	(852)
Tax losses carry-forward	1,549	1,389	-	-	1,549	1,389
Unabsorbed capital allowances	1,464	33	-	-	1,464	33
Tax assets/(liabilities)	12,360	1,422	(12,922)	(12,334)	(562)	(10,912)
Set off of tax	(812)	(12)	812	12	-	-
Net tax assets/(liabilities)	11,548	1,410	(12,110)	(12,322)	(562)	(10,912)

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

Group	**At 1.1.2021 RM'000**	**Recognised in profit or loss (Note 23) RM'000**	**Acquisition of a subsidiary (Note 34.1) RM'000**	**At 31.12.2021/ 1.1.2022 RM'000**	**Recognised in profit or loss (Note 23) RM'000**	**At 31.12.2022 RM'000**
Land use rights	(4,537)	-	-	(4,537)	-	(4,537)
Property, plant and equipment	(1,433)	(551)	(4,961)	(6,945)	(1,440)	(8,385)
Other items	(51)	609	(1,410)	(852)	10,199	9,347
Tax losses carry forward	3,516	(2,127)	-	1,389	160	1,549
Unabsorbed capital allowances	375	(342)	-	33	1,431	1,464
	(2,130)	(2,411)	(6,371)	(10,912)	10,350	(562)

11. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2022 RM'000	2021 RM'000
Other deductible temporary differences	9,710	2,911
Unabsorbed capital allowances	843	843
Unutilised tax losses		
- Malaysia	24,681	36,098
- Outside Malaysia	8,252	9,885
	43,486	49,737

The deferred tax assets arising from other deductible temporary differences, unabsorbed capital allowances and unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority. The other deductible temporary differences, unabsorbed capital allowances and unutilised tax losses outside Malaysia do not expire under the current tax legislation. The unutilised tax losses in Malaysia can only be carried forward up to 10 consecutive years of assessment. The table below shows the unutilised tax losses expires in respective year of assessment.

	Group	
	2022 RM'000	2021 RM'000
Utilisation years		
Expiring in Year Assessment 2028	12,304	23,721
Expiring in Year Assessment 2029	8,867	8,867
Expiring in Year Assessment 2030	3,259	3,259
Expiring in Year Assessment 2031	251	251
	24,681	36,098

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade and other receivables					
Non-current					
Trade					
Trade receivables	12.1	10,404	9,859	-	-
		10,404	9,859	-	-
Non-trade					
Amounts due from subsidiaries	12.3	-	-	279,557	294,433
		-	-	279,557	294,433
		10,404	9,859	279,557	294,433
Current					
Trade					
Trade receivables	12.1	42,966	89,444	-	-
		42,966	89,444	-	-
Non-trade					
Amounts due from joint ventures	12.2	6,035	8,691	-	1,540
Amounts due from subsidiaries	12.3	-	-	5,553	6,397
Other receivables	12.4	9,908	10,086	1,845	-
Deposits		5,951	4,522	-	-
		21,894	23,299	7,398	7,937
		64,860	112,743	7,398	7,937
		75,264	122,602	286,955	302,370
Prepayment					
Prepayment	12.5	4,291	29,012	12	13

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENT (CONTINUED)

12.1 Trade receivables

Non-current

Included in trade receivables of the Group are retention sums relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group	
	2022 RM'000	2021 RM'000
1 – 2 years	3,899	6,322
2 – 3 years	1,643	1,533
3 – 4 years	2,510	459
4 – 5 years	667	795
More than 5 years	1,685	750
	10,404	9,859

Current

Included in trade receivables of the Group are retention sums amounting to RM13,587,000 (2021: RM6,684,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection within 1 year.

12.2 The amounts due from joint ventures of the Group and of the Company are unsecured, interest free and repayable on demand.

12.3 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for amounts of RM213,939,000 (2021: RM231,154,000) which bear interest of 2% to 6% (2021: 2% to 6.4%) per annum.

Included in the amount due from subsidiaries, there are RM279,557,000 (2021: RM294,433,000) classified as non-current asset as the Company and its subsidiaries do not expect that funds are available for repayment within twelve months after reporting date.

12.4 Included in other receivables of the Group are allowance for impairment losses made against doubtful receivables of RM3,878,000 (2021: RM3,878,000).

12.5 Included in prepayment of the Group is advances paid to suppliers to purchase inventory of RM22,363,000 (2021: RM27,483,000). An allowance for impairment losses RM22,363,000 (2021: Nil) has been made.

13. CONTRACT WITH CUSTOMERS

13.1 Contract assets/(liabilities)

Group	2022 RM'000	2021 RM'000
Contract assets	51,139	44,147
Contract liabilities	(520)	(4,482)

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 customers 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.

13.2 Contract cost

Group	2022 RM'000	2021 RM'000
Cost to fulfil a contract	1,006	5,790

Cost to fulfil contract

Construction cost that are attributable to the construction contracts are capitalised as contract costs during the current financial year. These costs are expected to be recoverable and are recognised to profit or loss when the related revenue is recognised.

14. INVENTORIES

	Note	Group 2022 RM'000	Group 2021 RM'000
Non-current			
At cost:			
Properties under development	14.1	-	108,831
		-	108,831
Current			
At cost:			
Spares		288	374
Consumables		44	44
Raw materials		928	1,560
Finished goods		10,015	10,450
Packaging materials		648	533
Properties under development	14.1	108,831	-
		120,754	12,961
		120,754	121,792
Recognised in profit or loss:			
Inventories recognised as cost of sales		53,306	108,384

14.1 Properties under development comprises:

	2022 RM'000	2021 RM'000
Land held for property development	108,615	108,615
Development costs	216	216
	108,831	108,831

The land held for property development with carrying amount of RM108,615,000 (2021: RM108,615,000) is charged to the financial institution for the facilities granted to Group entities (Note 18.1).

Notes to the Financial Statements

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits with licensed banks				
- Malaysia	33,573	17,920	142	140
- Outside Malaysia	82,935	21,421	82,935	21,422
	116,508	39,341	83,077	21,562
Cash and bank balances				
- Malaysia	15,929	13,412	1,806	437
- Outside Malaysia	7,635	67,783	-	59,860
	23,564	81,195	1,806	60,297
	140,072	120,536	84,883	81,859

Included in the deposits with licensed banks of the Group is amount of RM30,000 (2021: RM30,000) pledged for facilities (Note 18.3) granted to the Group.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	Group	
		2022 RM'000	2021 RM'000
Asset classified as held for sale			
Property, plant and equipment	16.1	-	1,800
Investment property	16.2	630	912
Motor vehicles	16.3	445	-
		1,075	2,712

16.1 In the prior financial year, the Group had entered into a sales and purchase agreement to dispose of two units of three storey shop office (see Note 3) has been completed.

16.2 In current year, the Group had entered into a sales and purchase agreement to dispose of one piece of leasehold land. The sales has not been completed at financial year end.

In the prior financial year, the Group had entered into two sales and purchase agreements to dispose of one piece of freehold bungalow land and one piece of leasehold land respectively (see Note 6). The sales has been completed at financial year end.

16.3 In the current financial year, the Group had entered into a sales and purchase agreement to dispose of fourteen units of motor vehicle (see Note 3). The sale has not been completed at financial year end.

17. CAPITAL AND RESERVES

17.1 Share capital

	Group and Company			
	Amount 2022 RM'000	Number of shares 2022 '000	Amount 2021 RM'000	Number of shares 2021 '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
1 January/31 December	458,276	1,012,413	458,276	1,012,413

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.

17.2 Treasury shares

The Company repurchased 12,440,800 (2021: 18,771,900) ordinary shares of its issued share capital from the open market, at an average cost of RM0.22 (2021: RM0.22) per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM2.68 million (2021: RM4.14 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, the Company distributed 24,677,605 (2021: 21,921,681) treasury shares to entitled shareholders as share dividend. At the end of the year, the number of treasury shares held was 4,800,044 (2021: 17,036,849) shares.

17.3 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.

Notes to the Financial Statements

17. CAPITAL AND RESERVES (CONTINUED)

17.4 Warrants

The main features of the Warrant are as follows:

i) Each Warrant will entitle its Warrant Holders an option to subscribe for one (1) new ordinary share at the exercise price of RM0.30 per share at any time on or after 20 July 2018 to 19 July 2025, subject to adjustments in accordance with the provisions of the Deed Poll dated 29 June 2018 constituting the Warrant;
ii) Any Warrant not exercised during the exercise period shall thereafter lapse and cease to be valid; and
iii) The new ordinary shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the existing ordinary shares of the Company, save and except that the new ordinary shares will not be entitled to any dividends, rights, allotments, and/or other distribution that may be declared, made or paid for which the entitlement date of which precedes the date of allotment of the new ordinary shares arising from the exercise of the Warrants.

The outstanding warrants remain unexercised at the end of the financial year amounting to 336,566,643 (2021: 336,566,643).

18. LOANS AND BORROWINGS

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Term loans (secured)	18.1	445	2,916	-	-
Term loans (unsecured)		3,022	498	-	-
Finance lease liabilities	18.2	3,270	5,996	-	-
		6,737	9,410	-	-
Current					
Bank overdrafts (unsecured)		22	11	-	-
Bankers' acceptances (secured)	18.3	6,606	8,620	-	-
Bank guarantees		158	158	-	-
Revolving credits	18.4	5,000	5,000	5,000	5,000
Term loans (secured)	18.1	259	624	-	-
Term loans (unsecured)		620	3,589	-	-
Trust Receipts		3,951	4,529	-	-
Invoice financing	18.5	-	7,055	-	-
Finance lease liabilities	18.2	2,184	436	-	-
		18,800	30,022	5,000	5,000
		25,537	39,432	5,000	5,000

Notes to the Financial Statements

18. LOANS AND BORROWINGS (CONTINUED)

18.1 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 RM1,322,000 (2021: RM1,355,000) (Note 3.1).

b) 1st party 2nd legal charge over the land owned by a Group entity with carrying amount of RM108,615,000 (2021: RM108,615,000) (Note 14.1).

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:

	2022			2021		
Group	**Under 1 year RM'000**	**1 to 5 years RM'000**	**More than 5 years RM'000**	**Under 1 year RM'000**	**1 to 5 years RM'000**	**More than 5 years RM'000**
Term loan						
- secured	259	445	-	624	1,766	1,150

18.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2022			2021		
	Future minimum lease payments RM'000	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Group						
Less than one year	2,610	(426)	2,184	511	(75)	436
Between one and five years	3,394	(168)	3,226	6,002	(98)	5,904
More than five years	45	(1)	44	96	(4)	92
	6,049	(595)	5,454	6,609	(177)	6,432

18.3 The bankers' acceptance are secured via fixed deposits with licensed bank (see Note 15).

18.4 The revolving credit of the Group and of the Company is secured by land owned by a Group entity with carrying amount of RM108,615,000 (2021: RM108,615,000) (Note 14.1).

18.5 Invoice financing of the Group is in respect of facilities granted for the purpose of financing its invoices receivable from one of its customers.

Notes to the Financial Statements

18. LOANS AND BORROWINGS (CONTINUED)

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

Group	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
At 1 January 2021	4,018	3,084	24,233	31,335
Drawdown of borrowings	-	5,137	7,351	12,488
Repayment of borrowings	-	(2,812)	(11,480)	(14,292)
Acquisition of right-of-use assets through finance lease liabilities	2,085	-	-	2,085
Acquisition through business combination	590	2,218	5,258	8,066
Repayment of finance lease liabilities	(261)	-	-	(261)
At 31 December 2021/1 January 2022	6,432	7,627	25,362	39,421
Drawdown of borrowings	-	-	205	205
Repayment of borrowings	-	(3,281)	(9,852)	(13,133)
Acquisition of right-of-use assets through finance lease liabilities	1,519	-	-	1,519
Repayment of finance lease liabilities	(2,497)	-	-	(2,497)
At 31 December 2022	5,454	4,346	15,725	25,515

Company	Revolving credit RM'000	Total RM'000
At 1 January 2021	-	-
Drawdown of borrowing	5,000	5,000
At 31 December 2021/1 January 2022/ 31 December 2022	5,000	5,000

19. TRADE AND OTHER PAYABLES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current					
Trade					
Trade payables	19.1	4,210	11,187	-	-
		4,210	11,187	-	-
Current					
Trade					
Trade payables	19.1	28,891	12,036	-	-
Accrued expenses		34,217	45,816	-	-
		63,108	57,852	-	-
Non-trade					
Amounts due to subsidiaries	19.2	-	-	23,989	23,884
Other payables	19.3	37,467	32,504	183	975
Accrued expenses		1,679	1,306	688	374
		39,146	33,810	24,860	25,233
		102,254	91,662	24,860	25,233

19.1 Trade payables

Non-current

Included in trade payables of the Group are retention sums relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for payment as follows:

	Group 2022 RM'000	Group 2021 RM'000
1 – 2 years	2,749	9,155
2 – 3 years	379	1,608
3 – 4 years	1,082	424
	4,210	11,187

Current

Included in trade payables of the Group are retention sums amounting to RM9,502,000 (2021: RM854,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for payment within 1 year.

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

Notes to the Financial Statements

19. TRADE AND OTHER PAYABLES (CONTINUED)

19.3 Included in other payables of the Group in prior year is dividend payable by a subsidiary to non-controlling interest of RM2,000,000.

20. REVENUE

	Total	
Group	**2022 RM'000**	**2021 RM'000**
Revenue from contract with customers		
Construction		
- Water projects	89,374	101,348
- Wastewater projects	37,777	21,497
- Water system repairs	7,502	13,270
- Others	108	183
Healthcare	52,267	132,844
Trading and services		
- Transportation	14,972	13,790
- Solar power services	1,830	1,051
- Others	279	733
Property development	-	2,177
Total revenue	204,109	286,893
Company		
Dividends	1,883	164

20. REVENUE (CONTINUED)

20.1 Disaggregation of revenue

Group	Construction 2022 RM'000	Construction 2021 RM'000	Healthcare 2022 RM'000	Healthcare 2021 RM'000	Trading and services 2022 RM'000	Trading and services 2021 RM'000	Property development 2022 RM'000	Property development 2021 RM'000	Total 2022 RM'000	Total 2021 RM'000
Primary geographical markets										
Malaysia	129,187	136,021	5,038	24,056	15,924	14,523	-	2,177	150,149	176,777
Unites States	-	-	10,192	95,000	-	-	-	-	10,192	95,000
Vietnam	-	2,331	-	-	-	-	-	-	-	2,331
Sri Lanka	5,575	1,731	-	-	-	-	-	-	5,575	1,731
India	-	(3,785)	19,635	9,807	-	-	-	-	19,635	6,022
The United Kingdom	-	-	-	1,026	1,156	1,051	-	-	1,156	2,077
Other countries	-	-	17,402	2,955	-	-	-	-	17,402	2,955
	134,762	136,298	52,267	132,844	17,080	15,574	-	2,177	204,109	286,893
Major products and services lines										
Water projects	89,374	101,348	-	-	-	-	-	-	89,374	101,348
Wastewater projects	37,778	21,497	-	-	-	-	-	-	37,778	21,497
Water system repairs	7,502	13,270	-	-	-	-	-	-	7,502	13,270
Healthcare	-	-	52,267	132,844	-	-	-	-	52,267	132,844
Property development	-	-	-	-	-	-	-	2,177	-	2,177
Transportation	-	-	-	-	14,972	13,790	-	-	14,972	13,790
Solar power services	-	-	-	-	1,829	1,051	-	-	1,829	1,051
Others	108	183	-	-	279	733	-	-	387	916
	134,762	136,298	52,267	132,844	17,080	15,574	-	2,177	204,109	286,893
Timing and recognition										
Over time	134,762	136,298	-	-	16,801	14,840	-	-	151,563	151,138
At a point in time	-	-	52,267	132,844	279	734	-	2,177	52,546	135,755
Total revenue	134,762	136,298	52,267	132,844	17,080	15,574	-	2,177	204,109	286,893

20. REVENUE (CONTINUED)

20.2 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 physical completion method.	Based on agreed milestones, certified by surveyor.	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 surveyor.	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 physical completion method.	Based on agreed milestones, certified by surveyor.	There would be penalty charges when the projects are late in completion.	Not applicable.	Defect liability period of 2 years is given to customers.
Healthcare	Revenue is recognised at a point in time when goods are delivered and accepted by the customers.	Credit period of 30 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Property development	Revenue is recognised at a point in time for completed inventory where the sale and purchase agreement is signed.	Based on the terms in the Sales and Purchase Agreement.	Cash rebate of 10% will be given to last batch of unsold units.	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.

20. REVENUE (CONTINUED)

20.3 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.

	More than 1 year	
	2022	2021
Group	RM'000	RM'000
Water projects	249,448	112,172
Wastewater projects	36,326	56,747
Water system repairs	5,731	10,593
	291,505	179,512

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.

20.4 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 with reference to the stage of completion. Significant judgements are required to estimate the progress towards the satisfaction of the performance obligation. 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.

21. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors:				
- Fees	380	380	380	380
- Remuneration	5,086	5,568	2,510	1,987
- Other short-term employee benefits (including estimated monetary value of benefit-in-kind)	403	109	221	85
	5,869	6,057	3,111	2,452

Notes to the Financial Statements

22. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	1,373	3,702	269	79
Interest expense on lease liabilities	1,300	162	-	-
	2,673	3,864	269	79

23. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income tax expense on continuing operations	(10,320)	8,577	55	(28)
Share of tax of equity-accounted associates/joint ventures	697	166	-	-
Total income tax expense	(9,623)	8,743	55	(28)
Major components of income tax expense include:				
Income tax expense				
Malaysian - current year	1,112	6,194	55	-
- prior year	(1,082)	(28)	-	(28)
Total income tax recognised in profit or loss	30	6,166	55	(28)
Deferred tax expense				
Origination and reversal of temporary differences	(10,986)	2,936	-	-
Overprovision in prior year	636	(525)	-	-
Total deferred tax recognised in profit or loss	(10,350)	2,411	-	-
Share of tax of equity-accounted associates/joint ventures	697	166	-	-
Total tax expense	(9,623)	8,743	55	(28)

23. TAX EXPENSE (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Reconciliation of tax expense				
(Loss)/Profit for the year	(41,326)	16,776	(726)	(5,753)
Total tax expense	(9,623)	8,743	55	(28)
(Loss)/Profit excluding tax	(50,949)	25,519	(671)	(5,781)
Income tax calculated using Malaysian tax rate of 24%	(12,228)	6,125	(161)	(1,387)
Effect of tax rates in foreign jurisdictions	(421)	-	-	-
Non-deductible expenses	5,808	2,921	3,265	2,060
Tax exempt income	(645)	(759)	(446)	(39)
Non-taxable income	(190)	-	(2,603)	(634)
Recognition of previously unrecognised tax losses	(2,740)	-	-	-
Current year losses for which no deferred tax asset was recognised	1,239	1,009	-	-
	(9,177)	9,296	55	-
Overprovision in prior years	(446)	(553)	-	(28)
	(9,623)	8,743	55	(28)

24. DISCONTINUED OPERATIONS

The strike off of Salcon Utilities Sdn. Bhd., Salcon Environmental Services Sdn. Bhd., Skeel Engineering Sdn. Bhd. and Salcon-Centrimax Engineering Sdn. Bhd. have been completed during the financial year.

The disposal of Salcon Petroleum Services Sdn. Bhd. and the strike off of Salcon Changzhou (HK) Ltd and Wisdom Sports Sdn. Bhd. was completed in the previous financial year.

Loss attributable to the discontinued operations was as follows:

	Group	
	2022 RM'000	2021 RM'000
Other income	-	-
Expenses	-	-
Results from operating activities, net of tax	-	-
Loss on sales of discontinued operations	(6)	(2,055)
Share of loss of associate	-	(70)
Loss for the year	(6)	(2,125)
Included in results from operating activities are:		
Loss on sales of discontinued operations	(6)	(2,055)

24. DISCONTINUED OPERATIONS (CONTINUED)

Loss attributable to the discontinued operations was as follows (continued):

	Note	Group 2022 RM'000	Group 2021 RM'000
Cash flows from discontinued operations			
Net cash inflow from investing activities		6	140
Effect on cash flows		6	140

The loss from discontinued operations of RM6,000 (2021: Loss RM2,125,000) is attributable to the owners of the Group.

Effect of strike off on the financial position of the Group

	2022 RM'000	2021 RM'000
Investment in associate	-	569
Intangible asset	6	-
Effect of foreign currency difference	-	1,626
Net assets	6	2,195
Loss on sales of discontinued operations	(6)	(2,055)
Consideration received, satisfied in cash	-	140
Net cash inflow	-	140

25. (LOSS)/PROFIT FOR THE YEAR

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
(Loss)/Profit for the year is arrived at after charging/(crediting)					
Auditors' remunerations					
- Audit fees					
- Current year					
KPMG PLT		409	466	193	193
Overseas affiliates of KPMG PLT		75	71	-	-
Other auditors		93	77	-	-
- Non-audit fees					
- KPMG PLT		35	35	35	35
Material expenses/(income)					
Amortisation of intangible asset		1,387	1,354	-	-
Depreciation of property, plant and equipment		7,787	7,535	-	-
Depreciation of right-of-use assets		1,793	1,910	-	-
Depreciation of investment properties		54	-	-	-
Dividend income from:					
- Other investment		(83)	(164)	(83)	(164)
- Joint ventures		-	-	(1,800)	-
Net fair value loss on other investments		719	3,171	719	3,171
Finance income:					
- Subsidiaries		-	-	(4,509)	(4,681)
- Others		(1,477)	(911)	(763)	(340)
Loss on disposal of equity interest in subsidiaries		6	1,626	1	-
Loss on disposal of equity interest in associate companies		-	427	-	223
Loss on disposal of other investment		-	125	-	125
Fair value loss on investment property		-	176	-	-
Gain on disposal of property, plant and equipment		(121)	(158)	-	-
Gain on lease termination		(15)	-	-	-
Impairment losses:					
- Investments in joint ventures		322	-	-	-
- Property, plant and equipment		-	320	-	-
- Prepayment		22,363	-	-	-
- Goodwill		7,006	-	-	-
- Intellectual property		1,486	-	-	-
- Assets held for sale		77	-	-	-

Notes to the Financial Statements

25. LOSS)/PROFIT FOR THE YEAR (CONTINUED)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Material expenses/(income) (continued)					
Net realised foreign exchange loss		144	16	127	-
Net unrealised foreign exchange (gain)/loss		(1,327)	(1,547)	(1,295)	103
Other receivables written off		-	20	-	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,513	2,803	613	659
- Wages, salaries and others		24,002	25,506	5,752	5,966
Property, plant and equipment written off		-	284	-	-
Profit guarantee		(20,800)	-	-	-
Waiver of amount due to subsidiaries		-	-	(20)	(908)
Expenses/(income) arising from leases					
Expenses relating to short term leases	25.1	34	93	-	-
Expenses relating to leases of low value assets	25.1	24	26	-	-
Rental income on premises		(134)	(168)	-	-
Net loss on (reversal of)/loss on impairment of financial instruments					
Financial assets at amortised cost					
Impairment loss					
- Trade receivables		11,507	-	-	-
- Amounts due from subsidiaries		-	-	-	-
- Profit guarantee		20,800	-	-	-
Reversal of impairment loss					
- Trade receivables		(40)	(97)	-	-
- Amounts due from subsidiaries		-	-	(526)	-
		32,267	(97)	(526)	-

25.1 The Group leases office equipment and office spaces with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

26. OTHER COMPREHENSIVE INCOME/(EXPENSE)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2022			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(2,797)	-	(2,797)
2021			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(239)	-	(239)

27. (LOSS)/EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2022 was based on the (loss)/earnings attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
2022			
Loss attributable to ordinary shareholders	(24,324)	(6)	(24,330)
2021			
Profit/(Loss) attributable to ordinary shareholders	14,094	(2,125)	11,969

	Group 2022 '000	Group 2021 '000
Weighted average number of ordinary shares		
1 January	1,012,413	1,012,413
Effect of treasure shares held	(721)	(3,869)
31 December	1,011,692	1,008,544

Notes to the Financial Statements

27. (LOSS)/EARNINGS PER ORDINARY SHARE (CONTINUED)

Basic (loss)/earnings per ordinary share (continued)

	Group	
	2022 **Sen**	**2021** **Sen**
From continuing operations	(2.40)	1.40
From discontinued operations	-	(0.21)
Basic (loss)/earnings per ordinary share	(2.40)	1.19

Diluted (loss)/earnings per ordinary share

The potential ordinary shares, warrants on issue, are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares. Accordingly, the diluted (loss)/earnings per ordinary share for the current and previous years are equal to the basic (loss)/earnings per ordinary share.

28. DIVIDENDS

Dividends recognised by the Company:

	Total amount RM'000	**Date of payment**
2022		
Final share dividend of one (1) treasury share for every forty (40) existing ordinary shares held	5,594	12 July 2022
2021		
First and final share dividend of one (1) treasury share for every forty-five (45) existing ordinary shares held	3,742	12 July 2021

Subsequent to the financial year end, an interim dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2022 has been declared by the Directors for payment to shareholders whose names appear in the Record of Depositors on 10 May 2023.

29. 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 healthcare.
- 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(v).

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.

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.

Notes to the Financial Statements

29. OPERATING SEGMENTS (CONTINUED)

Group 2022	Constructions RM'000	Healthcare 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)	3,299	(43,383)	8,405	(965)	(32,644)	(6)	(32,650)
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	134,762	52,267	17,080	-	204,109	-	204,109
Share of profit of associates	-	-	281	-	281	-	281
Share of profit of joint ventures	625	-	3,227	-	3,852	-	3,852
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(1,632)	(6,315)	(2,736)	(284)	(10,967)	-	(10,967)
Finance costs	(557)	(665)	(250)	(1,201)	(2,673)	-	(2,673)
Finance income	1,432	25	2	18	1,477	-	1,477
Tax credit/(expense)	605	10,599	(641)	(243)	10,320	-	10,320
Segment assets	300,265	88,636	96,181	109,102	594,184	-	594,184
Included in the measure of segment assets are:							
Investment in associates	-	-	17,244	-	17,244	-	17,244
Investment in joint ventures	16,612	-	21,008	-	37,620	-	37,620
Additions to non-current assets other than financial instruments and deferred tax assets	1,252	10,804	573	-	12,629	-	12,629

29. OPERATING SEGMENTS (CONTINUED)

Group 2021	Constructions RM'000	Healthcare 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)	18,232	24,602	6,372	(978)	48,228	(2,125)	46,103
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	136,298	132,844	15,574	2,177	286,893	-	286,893
Share of profit of associates	-	-	236	-	236	-	236
Share of profit of joint ventures	9,942	-	2,133	-	12,075	-	12,075
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(1,303)	(4,983)	(4,229)	(284)	(10,799)	-	(10,799)
Finance costs	(773)	(940)	(965)	(1,186)	(3,864)	-	(3,864)
Finance income	898	3	-	10	911	-	911
Tax expense	(2,436)	(5,436)	(537)	(168)	(8,577)	-	(8,577)
Segment assets	354,795	103,701	93,199	109,565	661,260	-	661,260
Included in the measure of segment assets are:							
Investment in associates	-	-	16,963	-	16,963	-	16,963
Investment in joint ventures	21,909	-	19,581	-	41,490	-	41,490
Additions to non-current assets other than financial instruments and deferred tax assets	1,130	3,204	10,867	-	15,201	-	15,201

Notes to the Financial Statements

29. OPERATING SEGMENTS (CONTINUED)

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

	Group	
	2022 RM'000	**2021 RM'000**
Profit or loss		
Total profit or loss for reportable segments	(32,644)	48,228
Depreciation and amortisation	(10,967)	(10,799)
Finance costs	(2,673)	(3,864)
Finance income	1,477	911
Unrealised and realised foreign exchange differences	1,183	1,531
Unallocated expenses:		
Corporate expenses	(8,016)	(8,529)
Consolidated (Loss)/Profit before tax from continuing operations	(51,640)	27,478
Loss from discontinued operation	(6)	(2,125)
Consolidated (Loss)/Profit before tax	(51,646)	25,353

Geographical segments

The constructions, concessions, healthcare, trading and services and property development are managed on a worldwide basis, but operations are in Malaysia, Sri Lanka, the United Kingdom, 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 2022 RM'000**	**Non-current assets 2022 RM'000**	**Revenue 2021 RM'000**	**Non-current assets 2021 RM'000**
Malaysia	150,149	104,115	176,777	221,764
Unites States	10,192	-	95,000	-
Sri Lanka	5,575	181	1,731	-
India	19,635	24	6,022	-
The United Kingdom	1,156	6,263	2,077	7,083
Vietnam	-	15	2,331	38
Other countries	17,402	-	2,955	-
	204,109	110,598	286,893	228,885

Notes to the Financial Statements

29. 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:

	Revenue		
All common control of Companies:	**2022 RM'000**	**2021 RM'000**	**Segment**
- Customer A	-	72,479	Healthcare
- Customer B	-	69,686	Construction
- Customer C	50,679	25,363	Construction

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:
(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")

2022	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	19,590	-	19,590
Trade and other receivables	75,264	75,264	-
Cash and cash equivalents	140,072	140,072	-
	234,926	215,336	19,590
Company			
Other investments	13,520	-	13,520
Trade and other receivables	286,955	286,955	-
Cash and cash equivalents	84,883	84,883	-
	385,358	371,788	13,520

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.1 Categories of financial instruments (continued)

2021	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	31,975	-	31,975
Trade and other receivables	122,602	122,602	-
Cash and cash equivalents	120,536	120,536	-
	275,113	243,138	31,975
Company			
Other investments	4,901	-	4,901
Trade and other receivables	302,370	302,370	-
Cash and cash equivalents	81,859	81,859	-
	389,130	384,229	4,901

	Carrying amount RM'000	AC RM'000
2022		
Financial liabilities		
Group		
Loans and borrowings	(25,537)	(25,537)
Trade and other payables	(106,464)	(106,464)
	(132,001)	(132,001)
Company		
Loans and borrowings	(5,000)	(5,000)
Trade and other payables	(24,860)	(24,860)
	(29,860)	(29,860)
2021		
Financial liabilities		
Group		
Loans and borrowings	(39,432)	(39,432)
Trade and other payables	(102,849)	(102,849)
	(142,281)	(142,281)
Company		
Loans and borrowings	(5,000)	(5,000)
Trade and other payables	(25,233)	(25,233)
	(30,233)	(30,233)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.2 Net losses and gains arising from financial instruments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net (losses)/gains on:				
Financial assets at fair value through profit or loss	(719)	(3,296)	(719)	(3,296)
Financial assets at amortised cost	(29,648)	2,422	6,440	4,918
Financial liabilities measured at amortised cost	(2,673)	(3,827)	(269)	79
	(33,040)	(4,701)	5,452	1,701

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 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.

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

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.

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	
	2022 RM'000	2021 RM'000
Domestic	98,547	126,753
Sri Lanka	-	2,949
United States	4,463	11,717
Vietnam	373	730
China	276	182
India	520	1,009
The United Kingdom	220	110
Philippines	110	-
	104,509	143,450

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

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 Expected Credit Losses for trade receivables and contract assets as at the end of the reporting period.

Group	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2022			
Not past due	73,923	-	73,923
Past due 1 - 30 days	2,431	-	2,431
Past due 31 - 60 days	1,064	-	1,064
Past due 61 - 90 days	4,760	-	4,760
	82,178	-	82,178
Credit impaired			
More than 90 days past due	28,477	(6,146)	22,331
Individually impaired	11,507	(11,507)	-
	122,162	(17,653)	104,509
Trade receivables	71,023	(17,653)	53,370
Contract assets	51,139	-	51,139
	122,162	(17,653)	104,509
2021			
Not past due	121,614	-	121,614
Past due 1 - 30 days	3,250	-	3,250
Past due 31 - 60 days	326	-	326
Past due 61 - 90 days	2,489	-	2,489
	127,679	-	127,679
Credit impaired			
More than 90 days past due	15,521	-	15,521
Individually impaired	6,439	(6,189)	250
	149,639	(6,189)	143,450
Trade receivables	105,492	(6,189)	99,303
Contract assets	44,147	-	44,147
	149,639	(6,189)	143,450

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Although certain trade receivables have become over due, 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	Credit impaired RM'000	Total RM'000
At 1 January 2021	(6,286)	(6,286)
Net remeasurement of loss allowance	97	97
At 31 December 2021/1 January 2022	(6,189)	(6,189)
Net remeasurement of loss allowance	(11,467)	(11,467)
At 31 December 2022	(17,653)	(17,653)

The Group's credit impaired balance in the Healthcare division of RM11,507,000 contributed the significant in loss allowance.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group and the Company manage their balances and deposits with banks and financial institutions by monitoring their credit ratings on an ongoing basis.

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.

Exposure to credit risk, credit quality and collateral

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.

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 and joint ventures. The Company monitors on an ongoing basis the results of both subsidiaries and joint ventures as well as repayments made by both subsidiaries and joint ventures.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM42,644,000 (2021: RM68,966,000) 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.

As at the end of the reporting period, there was no indication that the subsidiaries and joint ventures would default on repayment. There was no financial guarantee recognised at financial year end.

Other receivables

Risk management objectives, policies and processes for managing the risk

Credit risks on other receivables are mainly arising from deposits paid for office buildings, fixtures rented and utilities. These deposits will be received at the end of each lease term. The Group manages the credit risk together with the leasing arrangement.

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 carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

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

The Group determines the probability of default for these debts individually. The movement in the allowance for impairment in respect of other receivables during the year is as follow:

Group	Credit impaired RM'000	Total RM'000
At 1 January 2021	(3,878)	(3,878)
Net remeasurement of loss allowance	-	-
At 31 December 2021/1 January 2022	(3,878)	(3,878)
Net remeasurement of loss allowance	-	-
At 31 December 2022	(3,878)	(3,878)

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.4 Credit risk (continued)

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	Credit impaired RM'000	Total RM'000
At 1 January 2021/31 December 2021/1 January 2022	(10,698)	(10,698)
Net remeasurement of loss allowance	526	526
At 31 December 2022	(10,172)	(10,172)

30.5 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, lease liabilities, 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.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk (continued)

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:

2022	Carrying amount RM'000	Contractual interest rate/ Discount 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)	704	4.51 - 10.06%	703	259	305	139	-
Term loans (unsecured)	3,642	3.85 - 12.75%	3,642	620	3,022	-	-
Bank overdraft (unsecured)	22	8.15 - 8.40%	22	22	-	-	-
Finance lease liabilities	5,454	1.13 - 8.03%	5,829	2,258	1,844	1,682	45
Bankers' acceptance (unsecured)	6,606	3.09 - 4.85%	6,606	6,606	-	-	-
Revolving credits	5,000	4.58%	5,229	5,229	-	-	-
Lease liabilities	1,809	5.32 - 7.00%	1,854	1,380	288	186	-
Trust receipts (unsecured)	3,951	8.20%	3,951	3,951	-	-	-
Trade and other payables	106,464	-	106,464	102,254	2,749	1,461	-
	133,652		134,300	122,579	8,208	3,468	45
Company							
Non-derivative financial liabilities							
Financial guarantees	-	-	42,644	42,644	-	-	-
Revolving credit	5,000	4.58%	5,229	5,229	-	-	-
Trade and other payables	24,860	-	24,860	24,860	-	-	-
	29,860		72,733	72,733	-	-	-

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

2021	Carrying amount RM'000	Contractual interest rate/ Discount 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)	3,540	4.00 - 10.06%	4,378	828	610	1,709	1,231
Term loans (unsecured)	4,087	3.85 - 12.75%	4,214	580	1,254	720	1,660
Invoice financing (unsecured)	7,055	3.44%	7,055	7,055	-	-	-
Bank overdraft (unsecured)	11	8.15 - 8.40%	11	11	-	-	-
Finance lease liabilities	6,432	1.48 - 6.27%	6,609	511	5,236	862	-
Bankers' acceptance (unsecured)	8,620	2.21 - 3.34%	8,620	8,620	-	-	-
Revolving credits	5,000	4.58%	5,229	5,229	-	-	-
Lease liabilities	2,644	5.32 - 7.65%	2,808	1,959	805	44	-
Trust receipts (unsecured)	4,529	7.20%	4,529	4,529	-	-	-
Trade and other payables	102,849	-	102,849	91,662	9,155	2,032	-
	144,767		146,302	120,984	17,060	5,367	2,891
Company							
Non-derivative financial liabilities							
Financial guarantees	-	-	68,966	68,966	-	-	-
Revolving credit	5,000	4.58%	5,229	5,229	-	-	-
Trade and other payables	25,233	-	25,233	25,233	-	-	-
	30,233		99,428	99,428	-	-	-

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 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. Price risk of the Group and of the Company is not significant.

30.6.1 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"), Great Britain Pound (''GBP''), Vietnam Dong ("VND") and Australia Dollar ("AUD").

Risk management objectives, policies and processes for managing the risk

The Group ensures 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						
2022	**SGD RM'000**	**USD RM'000**	**LKR RM'000**	**INR RM'000**	**GBP RM'000**	**VND RM'000**	**AUD RM'000**
Group							
Trade receivables	-	4,462	-	520	220	373	-
Cash and cash equivalents	46,990	6,740	3,649	251	23,684	674	13,714
Trade payables	-	-	(16)	-	-	(220)	-
Contract assets	-	-	-	-	-	-	-
Net exposure	46,990	11,202	3,633	771	23,904	827	13,714
2021							
Group							
Trade receivables	-	11,717	2,949	1,009	110	730	-
Cash and cash equivalents	43,803	5,774	2,911	399	24,220	1,280	13,793
Trade payables	-	-	(528)	-	-	(216)	-
Contract assets	-	-	-	-	-	-	-
Net exposure	43,803	17,491	5,332	1,408	24,330	1,794	13,793

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.1 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) post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remained constant.

	Profit or loss	
	2022 RM'000	**2021 RM'000**
SGD	(3,571)	(3,329)
USD	(851)	(1,329)
LKR	(276)	(405)
INR	(59)	(107)
GBP	(1,817)	(1,849)
VND	(63)	(136)
AUD	(1,042)	(1,048)
	(7,679)	(8,203)

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.

30.6.2 Interest rate risk

The Group's and the Company's investments in fixed rate debt securities, lease liabilities and 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 lease liabilities and finance lease agreements to finance capital expenditure. Deposits are placed with established banks or financial institutions at the prevailing market rate.

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.6 Market risk (continued)

30.6.2 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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed rate instruments				
Financial assets	116,508	53,848	297,016	249,270
Financial liabilities	(7,263)	(9,076)	-	-
	109,245	44,772	297,016	249,270
Floating rate instruments				
Financial assets	20,364	9,892	-	4,392
Financial liabilities	(20,083)	(33,000)	(5,000)	(5,000)
	281	(23,108)	(5,000)	(608)

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.

	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**
2022				
Floating rate instruments	2	(2)	(38)	38
2021				
Floating rate instruments	(176)	176	(5)	5

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 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.

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					
2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Group										
Financial assets										
Other investments	13,520	5,070	1,000	19,590	-	-	-	-	19,590	19,590
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(679)	(679)	(679)	(704)
Term loans (unsecured)	-	-	-	-	-	-	(3,374)	(3,374)	(3,374)	(3,642)
Finance lease liabilities	-	-	-	-	-	-	(5,338)	(5,338)	(5,338)	(5,454)
	-	-	-	-	-	-	(9,391)	(9,391)	(9,391)	(9,800)
Company										
Financial assets										
Other investments	13,520	-	-	13,520	-	-	-	-	13,520	13,520

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value information (continued)

2021	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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
Financial assets										
Other investments	4,901	22,074	5,000	31,975	-	-	-	-	31,975	31,975
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(3,178)	(3,178)	(3,178)	(3,540)
Term loans (unsecured)	-	-	-	-	-	-	(3,915)	(3,915)	(3,915)	(4,087)
Finance lease liabilities	-	-	-	-	-	-	(6,207)	(6,207)	(6,207)	(6,432)
	-	-	-	-	-	-	(13,300)	(13,300)	(13,300)	(14,059)
Company										
Financial assets										
Other investments	4,901	-	-	4,901	-	-	-	-	4,901	4,901

Level 1 fair value

Investment in equity securities

The fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

Level 2 fair value

The fair value is calculated based on the net assets value of cash management fund as advised by financial institutions.

Level 3 fair value

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

Type	Description of valuation technique and input used
Other investment	Discounted cash flows using a rate based on the current market rate at the reporting date

Notes to the Financial Statements

30. FINANCIAL INSTRUMENTS (CONTINUED)

30.7 Fair value of information (continued)

Level 3 fair value (continued)

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 secured and 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:

	2022	2021
Group		
Finance lease liabilities	2.79%	3.02%

31. 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 2022 and at 31 December 2021 were as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Total loans and borrowings (Note 18)	25,537	39,432
Lease liabilities	1,809	2,644
Less: Cash and cash equivalents (Note 15)	(140,072)	(120,536)
Net debt	(112,726)	(78,460)
Total equity	447,630	494,429
Debt-to-equity ratio	-	-

31. CAPITAL MANAGEMENT (CONTINUED)

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.

32. 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 7), associates (see Note 8), joint ventures (see Note 9) and key management personnel (see Note 21).

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 21.

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 12 and 19.

	Transaction value for year ended 31 December	
	2022 RM'000	**2021 RM'000**
Group		
Director		
- profit guarantee	20,800	-
Company		
Subsidiaries		
- interest income	4,509	4,681

Notes to the Financial Statements

33. CAPITAL AND OTHER COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	990	605

34. CONTINGENT LIABILITIES

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

	Note	Group	
		2022 RM'000	2021 RM'000
Litigation			
- Claims related to breach of contract	34.1	173,980	-
- Counterclaims from defendants	34.2	31,206	-
- Claims related to outstanding payment, variation works carried out, and retention sum payable	34.3	5,300	-

34.1 A subsidiary is defending a legal suit filed by a supplier. The supplier claimed for loss of expenditure and loss of profit on the purported basis that the subsidiary is in breach of an agreement. The legal suit is currently pending case management hearing.

Based on the legal advice, the Directors do not expect the outcome of the action to have a material effect on the Group's financial position.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.

34.2 A subsidiary is also defending an action brought by its customers. The customers counterclaim for monies paid to the subsidiary, demurrage charges, bonded warehouse charges and freight forwarding charges. The lawyer is in view that the subsidiary has a fair chance to defend the counterclaim. The legal suit is currently pending case management hearing fixed on 10.07.2023.

Based on the legal advice, the Directors do not expect the outcome of the action to have a material effect on the Group's financial position.

In the Directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Group.

34. CONTINGENT LIABILITIES (CONTINUED)

34.3 A subsidiary is defending a legal suit filed by a sub-contractor. While liability is not admitted, if defence against the suit is unsuccessful, the estimated losses to be incurred by the subsidiary could amount to RM5,299,764.

Based on legal advice, the subsidiary has a good arguable defence to the claim and the Directors do not expect the outcome of the suit to have material effect on the Group's financial performance.

35. ACQUISITION OF SUBSIDIARY

35.1 Acquisition of JR Engineering and Medical Technologies (M) Sdn. Bhd. ("JREMT")

Nusantara Jasakita Sdn. Bhd. ("NJSB"), a 90%-owned subsidiary of Salcon Berhad has completed the acquisition of JREMT on 12 March 2021.

NJSB, Ganesan A/L Subramaniam, Hamen A/L Ganesan and JREMT had on 12 March 2021 entered into a Shareholders Agreement to regulate their relationship as shareholders of JREMT, and to govern the management, obligations, rights, commitments, affairs and/or dealings in relation to JREMT.

The contribution of revenue and profit after tax from this subsidiary from 12 March 2021 to 31 December 2021 was RM132,844,000 and RM12,754,000 respectively.

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

Fair value of consideration transferred

	Note	Group 2021 RM'000
Cash and cash equivalents		28,560
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	34,026
Right-of-use asset	4	489
Intangible assets	5	6,900
Investment property	6	729
Inventories		11,644
Trade and other receivables		19,444
Cash and cash equivalents		11,304
Loans and borrowings		(8,066)
Deferred tax liabilities		(6,371)
Trade and other payables		(36,858)
Lease liabilities		(497)
Current tax liabilities		(2,138)
Total identifiable net assets		30,606
Net cash outflow arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		(28,560)
Cash and cash equivalents acquired		11,304
		(17,256)

Notes to the Financial Statements

35. ACQUISITION OF SUBSIDIARY (CONTINUED)

35.1 Acquisition of JR Engineering and Medical Technologies (M) Sdn. Bhd. ("JREMT") (continued)

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	Note	2021 RM'000
Total consideration transferred		28,560
Fair value of identifiable net assets		(30,606)
Non-controlling interest		16,558
Goodwill	5	(14,512)

35.2 Minimum Profit Guarantee from Ganesan A/L Subramaniam ("Vendor")

Based on the Share Sales Agreement dated on 12 November 2020, NJSB is entitled to demand the Profit Guarantee Shortfall from the Vendor, in the event where the profit after tax of JREMT is less than RM10 million for the period of three years from financial year 2021 to 2023, respectively.

36. SIGNIFICANT EVENTS

Significant events during the year are as follows:

36.1 Dissolution of Salcon Utilities Sdn. Bhd.

On 7 June 2022, Salcon Utilities Sdn. Bhd., a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Utilities Sdn. Bhd. has been struck off the register of companies.

36.2 Dissolution of Salcon Environmental Services Sdn. Bhd.

On 5 August 2022, Salcon Environmental Services Sdn. Bhd., a wholly-owned subsidiary of Salcon Engineering Berhad which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Environmental Services Sdn. Bhd. has been struck off the register of companies.

36.3 Dissolution of Skeel Engineering Sdn. Bhd.

On 5 August 2022, Skeel Engineering Sdn. Bhd., a wholly-owned subsidiary of Bumi Tiga Enterprise Sdn. Bhd. which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Skeel Engineering Sdn. Bhd. has been struck off the register of companies.

36.4 Dissolution of Salcon-Centrimax Engineering Sdn. Bhd.

On 30 December 2022, Salcon-Centrimax Engineering Sdn. Bhd., a wholly-owned subsidiary of Salcon Engineering Berhad which in turn a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon-Centrimax has been struck off the register of companies.

37. SUBSEQUENT EVENT

Joint Venture Agreement ("JVA") for the Development of Leasehold Land

On 24 March 2023, a wholly-owned subsidiary of Salcon Development Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company has entered into a JVA with Exsim Kebun Teh Sdn. Bhd. [formerly known as Exsim Hill (Sabah) Sdn. Bhd.] ("Exsim") to undertake a multiple phased mixed-use development consisting of service apartments and retail units on two pieces of 99 years' leasehold lands owned by Nusantara Megajuta Sdn. Bhd. ("NMSB") upon the terms and conditions stipulated in the JVA. Under the terms of the JVA, Exsim will pay RM140 million as landowner's entitlement to NMSB upon reaching the milestones as stipulated in the JVA. As at end of the reporting period, the carrying amount of the land is amounting to RM108,831,000.

Awarded Project for Development of Small Hydro Powerplant Project

On 17 April 2023, a wholly-owned subsidiary of the Company accepted the Letter of Award issued by AIS Small Hydro Sdn. Bhd., a Special Purpose Vehicle company formed by Air Selangor Holdings Berhad and Worldwide Holdings Berhad for the development of a 10.44MW small hydro powerplant at Sungai Selangor Dam under the Feed-In Tariff Mechanism. The project is expected to be completed no later than 3 May 2025, and the contract sum is amounting to RM64,992,000.

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 129 to 231 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 2022 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: 27 April 2023

Statutory Declaration

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

I, **Leong Yi Shen**, the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 129 to 231, 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 Leong Yi Shen, NRIC: 900705-14-6055, MIA CA 42328 at Kuala Lumpur in the Federal Territory on 27 April 2023.

Leong Yi Shen

Before me:

Balwant Singh
(W857)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Salcon Berhad (Registration No. 200201026133 (593796-T)) (Incorporated in Malaysia)

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 2022 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 the financial statements, including a summary of significant accounting policies, as set out on pages 129 to 231.

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 2022, 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 for 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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.

Revenue from construction contracts

Refer to Note 2(q) - Significant accounting policy: Revenue and other income and Note 20 - Revenue.

The key audit matter	How the matter was addressed in our audit
The Group had a revenue of RM135 million from construction contracts for the year ended 31 December 2022. We have identified the revenue from construction contracts as a key audit matter as it requires management to exercise significant judgement with respect to estimated total costs of the contracts at completion and stage of completion of the constructions.	We performed the following audit procedures, among others: • Challenged senior operational, commercial and financial management's judgement by obtaining and assessing information to support the budget which includes suppliers' quotations and awarded sub-contracts; • Read board of directors' meetings on the progress of the projects and compared the status of the projects to the financial records; • Obtained and agreed the contract sums, variation orders and extension of time to supporting documentations; and • Discussed with management and compared the stage of completion to supporting documents and acceptance of billings by customers.

Impairment assessment of intangible assets

Refer to Note 2(f) - Significant accounting policy: Intangible assets; and Note 5 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group had a goodwill from acquisition of subsidiaries of RM11 million as at 31 December 2022. The Group performed impairment assessment by comparing the carry amount against the recoverable amount based on estimated future cash flows of the cash generating units ("CGUs") to which goodwill was allocated. The estimation of future cash flows involved prospective financial information based on assumptions made by the Directors. The determination of recoverable amount is inherently uncertain and it requires the exercise of significant judgement in applying key assumptions particularly the revenue growth, gross profit margin, terminal growth rate and discount rate.	We performed the following audit procedures, among others: • Reviewed the cash flow projections prepared by management to determine the recoverable amounts of the CGUs; • Evaluated the key assumptions used to determine recoverable amounts, in particular, those relating to revenue growth, gross profit margin, discount rate and terminal growth rates, to determine reasonableness by comparing them with historical performance, and internal and external sources of information to corroborate the recoverable amounts of the CGUs; and • Considered the adequacy of the Group's disclosures in relation to the impairment assessment of intangible assets.

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 auditors' report.

Independent Auditors' Report

to the members of Salcon Berhad (Registration No. 200201026133 (593796-T)) (Incorporated in Malaysia)

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 annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 annual report and, in doing so, consider whether the annual report 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, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

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 judgement 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.

Independent Auditors' Report

to the members of Salcon Berhad (Registration No. 200201026133 (593796-T)) (Incorporated in Malaysia)

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

- 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.

- 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, actions taken to eliminate threats or safeguards applied.

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 7 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

Chua See Guan
Approval Number: 03169/02/2025 J
Chartered Accountant

Petaling Jaya, Selangor
Date: 27 April 2023

Particulars of Group Properties

The properties of the Group as at 31 December 2022 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	26 years	14/03/2002	222
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	43 years	15/03/2002	736
Eco-Coach & Tours (M) Sdn. Bhd.	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1201 sq. metres of 1½ storey semi-detached factory	17 years	23/01/2013	900
Eco-Coach & Tours (M) Sdn. Bhd.	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	836 sq. metres of 1½ storey semi-detached factory	17 years	23/01/2013	900
					2,758

LEASEHOLD BUILDING AND LAND

Company	Location/Address	Size & Usage	Approximate Age of Building	Date of Acquisition/ Revaluation	NBV RM'000
JR Engineering and Medical Technologies (M) Sdn. Bhd.	Lot No. 8 & 10, Jalan Zurah 3 and Lot No. 1 & 3, Jalan Zurah 3A/1, Pusat Perindustrian 2, Mukim Rasa, Daerah Hulu Selangor, Selangor Darul Ehsan	89,071 sq. ft. of factory building	99 years leasehold expiring on 29/12/2115	28/02/2021	7,002
					7,002

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.	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	14 years	22/10/2009	89
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	13 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	13 years	1/11/2011	367
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	13 years	10/11/2011	284
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	13 years	10/11/2011	298
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	13 years	10/11/2011	298
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	13 years	10/11/2011	284
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	13 years	10/11/2011	473
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	13 years	10/11/2011	306
Envitech Sdn. Bhd.	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	13 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	11 years	22/11/2012	367
Envitech Sdn. Bhd.	Unit No. Parcel 12, Lot 151 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	11 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	11 years	22/11/2012	338

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 8, Lot 153 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	11 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	11 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	11 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	11 years	22/11/2012	301
Envitech Sdn. Bhd.	Unit No. Parcel 28-1, Lot 315 (41-1), 1st Floor, Block S Shop & Office At Pulau Melaka	2,626 sq. ft. of corner shop	11 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	11 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	11 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	11 years	22/11/2012	136
Envitech Sdn. Bhd.	C-21-06, Setia City Residences @ Setia City, Persiaran Setia Dagang, Setia Alam, 40170 Shah Alam, Selangor	79.71 sq. metres of service residence	1 year	18/10/2021	482
Envitech Sdn. Bhd.	C-25-06, Setia City Residences @ Setia City, Persiaran Setia Dagang, Setia Alam, 40170 Shah Alam, Selangor	79.71 sq. metres of service residence	1 year	18/10/2021	485
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1	1,555 sq. ft. of service apartment	15 years	31/12/2015	550
JR Engineering and Medical Technologies (M) Sdn. Bhd.	No. 27, Jalan SL 2/2, Bandar Sungai Long, 43000 Kajang, Selangor	1,650 sq. ft. of intermediate double storey house	18 years	28/02/2021	634
					9,078

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 31 March 2023

I. Analysis of Shareholdings

Number of issued shares	:	1,012,413,655 ordinary shares (including 19,373,044* treasury shares held)
Class of shares	:	Ordinary share
Voting rights:	:	One(1) vote per ordinary share

* as per Record of Depository as at 31 March 2023

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Shares (%)
Less than 100	3,093	144,348	0.014
100 – 1,000	1,435	402,699	0.040
1,001 – 10,000	2,913	13,641,558	1.373
10,001 – 100,000	5,208	159,126,631	16.024
100,001 – less than 5% of issued shares	1,057	654,269,150	65.885
5% and above of issued shares	2	165,456,225	16.661
Total	13,708	993,040,611	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.	98,694,995	9.939	-	-
Tan Sri Dato' Tee Tiam Lee	57,117,091	5.752	66,761,230(1)	6.723
Datin Goh Phaik Lynn	-	-	98,694,995(2)	9.939
	-	-	443,834(3)	0.045
	-	-	5,326,098(4)	0.536
Dato' Leong Kok Wah	5,326,098	0.536	443,834(3)	0.045
			98,694,995(5)	9.939
Tee Xun Hao	230,794	0.023	66,761,230(1)	6.723
Infra Tropika Sdn. Bhd.	66,761,230	6.723	-	-

Notes:
(1) Deemed interested through the shares held in Infra Tropika Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016
(2) Deemed interested through the shareholding 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
@ Computed based on item (I) - Analysis of Shareholdings above

Analysis of Shareholdings and Warrantholdings

as at 31 March 2023

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)@
1	NAGA MUHIBAH SDN BHD	98,694,995	9.939
2	INFRA TROPIKA SDN BHD	66,761,230	6.723
3	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN.BHD. EXEMPT AN FOR INTER-PACIFIC ASSET MANAGEMENT SDN BHD	49,600,000	4.994
4	LEE THIAM LAI	41,476,999	4.176
5	TAN HENG TA	37,925,446	3.819
6	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN. BHD. INTER-PACIFIC CAPITAL SDN BHD (A/C 83)	37,871,255	3.813
7	TAN SRI DATO' TEE TIAM LEE	37,868,381	3.813
8	KONG HON KONG	34,460,461	3.470
9	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	19,248,710	1.938
10	TENG LI LING	12,296,171	1.238
11	CHIN CHIN SEONG	10,512,037	1.058
12	PEMBINAAN PUNCA CERGAS SDN. BHD.	9,325,221	0.939
13	LOW KHEK HENG @ LOW CHOON HUAT	6,220,333	0.626
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	5,326,098	0.536
15	CHIN CHIN SEONG	4,725,201	0.475
16	YEAT SIAW PING	4,211,995	0.424
17	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	3,801,835	0.382
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	3,756,362	0.378
19	DATO' SERI (DR.) GOH ENG TOON	3,402,783	0.342
20	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	3,191,453	0.321
21	GOH SENG KUANG	3,143,332	0.316
22	TAN HENG TA	3,139,059	0.316
23	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MUARA SETARA SDN BHD (MGN-MSS0010M)	3,000,000	0.302
24	OOI CHENG SWEE @ WEE KWEE SWEE	2,921,955	0.294
25	GOH HOOI YIN	2,829,000	0.284

Analysis of Shareholdings and Warrantholdings

as at 31 March 2023

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)@
26	JFCB HOLDINGS SDN BHD	2,749,386	0.276
27	DATO' CHOONG MOH KHENG	2,733,313	0.275
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH BOON CHIEW	2,611,491	0.262
29	DATO' DR. FREEZAILAH BIN CHE YEOM	2,589,666	0.260
30	PNG CHIEW CHUAN	2,534,442	0.255
Total		**518,928,610**	**52.256**

Directors' Shareholdings

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**Percentage of Issued Shares (%)@**	**No. of Shares**	**Percentage of Issued Shares (%)@**
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	57,117,091	5.752	66,992,024(1)	6.746
Dato' Leong Kok Wah	5,326,098	0.536	443,834(2)	0.045
			98,694,995(3)	9.939
Datin Goh Phaik Lynn	-	-	443,834(2)	0.045
	-	-	5,326,098(4)	0.536
	-	-	98,694,995(5)	9.939
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 by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016

(5) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

@ Computed based on item (I) - Analysis of Shareholdings above

Analysis of Shareholdings and Warrantholdings
as at 31 March 2023

II. Analysis of Warrantholdings

Number of outstanding Warrant B	:	336,566,643
Exercise price	:	RM0.30 per warrant
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	2,672	97,016	0.028
100 – 1,000	729	312,551	0.092
1,001 – 10,000	3,008	12,753,055	3.789
10,001 – 100,000	1,811	59,107,457	17.561
100,001 – less than 5% of outstanding warrants	421	187,897,130	55.827
5% and above of outstanding warrants	3	76,399,434	22.699
Total	8,644	336,566,643	100.00

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	5.162
4	RAJA MUHAMMAD BIN RAJA OMAR	4,987,600	1.481
5	GOH CHUAN YONG	4,144,000	1.231
6	TEO YU HONG	4,059,400	1.206
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO’ TEE TIAM LEE	3,000,000	0.891
8	GAN CHING HAN @ PAUL NGAN CHING HAN	2,915,000	0.866
9	M.ELANGKUMARAN A/L MASLAMANY	2,772,700	0.823
10	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MAYBANK SECURITIES PTE LTD FOR TEO CHEE KOK	2,500,000	0.742

Analysis of Shareholdings and Warrantholdings

as at 31 March 2023

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
11	PEMBINAAN PUNCA CERGAS SDN. BHD.	2,500,000	0.742
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO CHEE YAN (030)	2,300,011	0.683
13	TEOH SENG LEE	2,200,000	0.653
14	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NYAM CHUN KEONG	2,179,100	0.647
15	LEE KUAN WOON	2,179,000	0.647
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANB RESOURCES SDN BHD (E-SPG/SSA)	2,023,000	0.601
17	NURAIMAN BIN JAAFAR	2,021,300	0.600
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH HANG KONG	1,928,550	0.573
19	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	1,900,000	0.565
20	LEE POH HUAT	1,684,800	0.500
21	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,638,500	0.486
22	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR MUHAMMAD U-ZAIR BIN MD SUHUD	1,604,000	0.476
23	AW YONG REN YONG	1,490,000	0.442
24	LEE BEE GEOK	1,474,300	0.438
25	MOHD SYAZUWAN BIN ABD JALIL	1,411,600	0.419
26	TAN GIN LEE @ TAN JIN LEE	1,400,000	0.415
27	PANG GO SONG	1,344,000	0.399
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,337,555	0.397
29	HO CHEE YAN	1,300,000	0.386
30	DATO' SERI (DR.) GOH ENG TOON	1,213,888	0.360
Total		**135,907,738**	**40.380**

Analysis of Shareholdings and Warrantholdings
as at 31 March 2023

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
Datin Goh Phaik Lynn	-	-	158,332[(2)]	0.047
	-	-	1,900,000[(4)]	0.565
	-	-	35,207,844[(5)]	10.461
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 warrants held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
(5) Deemed interested through the shareholding in Naga Muhibah Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016

Notice of the Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting ("**20th AGM**") of Salcon Berhad ("**Company**") will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 21 June 2023 at 10:30 a.m., to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. ***[Please refer to Explanatory Note 1 on Ordinary Business]***

2. To approve the payment of Directors' fees of up to RM310,000 for the period immediately after the 20th AGM until the next AGM of the Company to be held in 2024. [Resolution 1] ***[Please refer to Explanatory Note 2 on Ordinary Business]***

3. To approve the payment of Directors' benefits of up to RM200,000 for the period immediately after the 20th AGM until the next AGM of the Company to be held in 2024. [Resolution 2] ***[Please refer to Explanatory Note 2 on Ordinary Business]***

4. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Company's Constitution:- ***[Please refer to Explanatory Note 3 on Ordinary Business]***
   (i) Tan Sri Dato' Tee Tiam Lee [Resolution 3]
   (ii) Datin Goh Phaik Lynn [Resolution 4]

5. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 5] ***[Please refer to Explanatory Note 4 on Ordinary Business]***

SPECIAL BUSINESS

To consider and, if deemed fit, to pass, with or without modifications, the following ordinary resolutions:

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** ***[Please refer to Explanatory Note 1 on Special Business]***

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("**the Act**"), Bursa Malaysia Securities Berhad ("**Bursa Securities**") Main Market Listing Requirements ("**Listing Requirements**") and the approvals of the relevant governmental/regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer ("**New Shares**") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this [Resolution 6] resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being (“**Proposed General Mandate**”).

THAT such approval on the Proposed General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;
b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or
c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby also empowered to obtain the approval from Bursa Securities for the listing of and quotation for such New Shares on the Main Market of Bursa Securities.

THAT authority be and is hereby given to the Directors of the Company, to give effect to the Proposed General Mandate with full powers to assent to any conditions, modifications, variations and/or amendments as they may deem fit in the best interest of the Company and/or as may be imposed by the relevant authorities.

AND FURTHER THAT the Directors of the Company, be and are hereby authorised to implement, finalise, complete and take all necessary steps and to do all acts (including execute such documents as may be required), deeds and things in relation to the Proposed General Mandate.”

7. PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR THE AUTHORITY TO THE COMPANY TO PURCHASE ITS OWN SHARES UP TO TEN PER CENTUM (10%) OF THE TOTAL NUMBER OF ISSUED SHARES ***[Please refer to Explanatory Note 2 on Special Business]***

“THAT subject always to the Companies Act 2016 (“**Act**”), the Constitution of the Company, 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 7]

(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,

Notice of the Twentieth Annual General Meeting

(“**Proposed Renewal of Share Buy-Back Mandate**”).

AND THAT the authority to facilitate the Proposed Renewal of Share Buy-Back Mandate 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.

AND THAT the Directors of the Company be and are 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 charged with the responsibility for companies may by order prescribe; and/or
(viii) To deal with the treasury shares in the 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 hereby 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 Renewal of Share Buy-Back Mandate with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.”

8. To consider any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

Wong Wai Foong [SSM PC No.: 202008001472 (MAICSA 7001358)]
Joanne Toh Joo Ann [SSM PC No.: 202008001119 (LS 0008574)]
Company Secretaries

Kuala Lumpur
28 April 2023

NOTES:-

1. IMPORTANT NOTICE FOR VIRTUAL MEETING

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 20th AGM.

Members are to attend, speak (including posing questions to the Board of Directors ("**Board**") via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 20th AGM via the Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

Please read these Notes carefully and follow the procedure in the Administrative Guide for the 20th AGM in order to participate remotely via RPV.

2. APPOINTMENT OF PROXY

(a) For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 14 June 2023. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM or appoint a proxy or proxies to participate on his/her/its behalf via RPV.

(b) A member who is entitled to participate at this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his place. A proxy may but need not be a member of the Company.

(c) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV.

(d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), 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.

(e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

(f) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

Notice of the Twentieth Annual General Meeting

(g) A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request **his/her proxy or attorney or authorised representatives to register himself/herself** for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.

(h) The appointment of a proxy may be made in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

(i) <u>In hard copy form</u>
In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

(ii) <u>By electronic form</u>
In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via the TIIH Online website at https://tiih.online. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of the proxy form.

(i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

(j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.

(k) Last date and time for lodging this proxy form is on **Monday, 19 June 2023** at **10:30 a.m.**

(l) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-

(i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.

(ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
(a) at least two (2) authorised officers, of whom one shall be a director; or
(b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. ***Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2022***

   The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this item on the Agenda is not being put forward for voting by shareholders of the Company.

2. ***Ordinary Resolutions 1 and 2 – 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 1 is to facilitate the payment of Directors' fees for the period from the 20th AGM up to the next AGM to be held in 2024, which are calculated based on the current Board size. In the event the proposed amount of the Directors' fees is insufficient (due to the enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

   The Directors' benefits under proposed Resolution 2 comprise a fixed meeting allowance payable to Non-Executive Directors for attendance at the Board and/or Board Committee meetings and other benefits for Executive Directors. The proposed amount is calculated based on the current Board size and the number of scheduled and/or special Board and Board Committees meetings for the period from the 20th AGM up to the next AGM to be held in 2024.

   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 AGM for the shortfall.

3. ***Ordinary Resolutions 3 and 4 – Re-election of Directors pursuant to Clause 76(3) of the Company's Constitution***

   Tan Sri Dato' Tee Tiam Lee and Datin Goh Phaik Lynn are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 20th AGM.

   Pursuant to Practice 5.7 of the Malaysian Code on Corporate Governance ("**MCCG**"), the profiles of both Directors are set out in the Directors' profile of the Annual Report 2022. The Board has through the Nomination Committee ("**NC**"), considered the assessment of the said Directors pursuant to the Fit and Proper Policy adopted by the Company and agreed that they meet the criteria as prescribed by Paragraph 2.20A of Bursa Securities Main Market Listing Requirements ("**Listing Requirements**") on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors. The justifications to support the Board's recommendation to re-elect the aforementioned Directors are as follows:

   (a) Tan Sri Dato' Tee Tiam Lee, the Executive Deputy Chairman of the Company, has an extensive career and vast experience in various industries including insurance, water engineering/ treatment, hotel management, property investment, timber industries and oil palm plantation business. He is primarily responsible for managing day-to-day business operations, which include driving profitability, implementing the policies, strategies and decisions adopted by the Board, and communicating with the Board. He is familiar with the Group's business operation and is able to provide valuable input to boost the Group's performance.

   (b) Datin Goh Phaik Lynn, the Non-Independent Non-Executive Director of the Company, has extensive experience and an illustrious career in the Corporate Banking sector. She is able to provide valuable input to steer the Company forward.

   Based on the above, the Board collectively agreed that both Directors had met the criteria as prescribed by Paragraph 2.20A of the Bursa Securities' Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors and recommended the said Directors be re-elected as Directors of the Company.

Notice of the Twentieth Annual General Meeting

4. ***Ordinary Resolution 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 AGM, included an assessment of the Auditors' independence and objectivity, calibre and quality process/ performance.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. ***Ordinary Resolution 6 – Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016***

   The proposed Ordinary Resolution 6, if passed, would renew the mandate granted to the Directors at the 19th AGM held on 23 June 2022 and provide flexibility to the Directors to undertake fundraising activities including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), business expansion, 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 AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier.

   As at the date of this Notice, the Company did not allot any shares pursuant to the shareholders' mandate granted to the Directors at the 19th AGM as there were no requirements for such fundraising activities.

2. ***Ordinary Resolution 7 – Proposed Renewal of Share Buy-Back Mandate***

   The proposed Resolution 7, 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 28 April 2023 in relation to the Proposed Renewal of Share Buy-Back Mandate for further details.

Global Reporting Initiative ("GRI") Content Index

This report includes the General Public Information Disclosures, in accordance with the three economic-environment-social standards.

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 2: General Disclosures 2021					
2-1	Organizational details	At A Glance	N/A	N/A	6
2-2	Entities included in the organization's sustainability reporting	Sustainability Statement	N/A	N/A	54-94
2-3	Reporting period, frequency and contact point	About This Report	N/A	N/A	2
2-4	Restatements of information	Sustainability Statement	N/A	N/A	54
2-6	Activities, value chain and other business relationships	Who We Are	N/A	N/A	4-5
2-7	Employees	Sustainability Statement	N/A	N/A	6
2-9	Governance structure and composition	Corporate Information	16	GCG 02	7
2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement	16	GCG 22	107-108
2-11	Chair of the highest governance body	Corporate Governance Overview Statement	16	GCG 02	107
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Overview Statement	16	N/A	105
2-13	Delegation of responsibility for managing impacts	Corporate Governance Overview Statement	16	N/A	104
2-14	Role of the highest governance body in sustainability reporting	Corporate Governance Overview Statement	16	GRM 05	106
2-15	Conflicts of interest	Key Senior Management's Profile	16	GCG 07	100-103
2-16	Communication of critical concerns	Corporate Governance Overview Statement	16	N/A	106
2-17	Collective knowledge of the highest governance body	Board of Directors' Profile	16	N/A	98-99
2-18	Evaluation of the performance of the highest governance body	Audit Committee Report	16	GCG 08	111
2-19	Remuneration policies	Sustainability Statement	16	N/A	62
2-20	Process to determine remuneration	Corporate Governance Overview Statement	16	GCG 14	108

Global Reporting Initiative ("GRI") Content Index

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
2-22	Statement on sustainable development strategy	Sustainability Statement	16	GCG 09	54-94
2-23	Policy commitments	Corporate Governance Overview Statement	16	GCG 09	108-110
2-24	Embedding policy commitments	Corporate Governance Overview Statement	16	GCG 09	108-110
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Statement	16	N/A	63, 71
2-27	Compliance with laws and regulations	Sustainability Statement	16	N/A	62-63
2-28	Membership associations	Sustainability Statement	17	SLS10	59
2-29	Approach to stakeholder engagement	Engaging Our Stakeholders	17	SHR 11, SHR 12, SHR 26	22-27
GRI 3: Material Topics 2021					
3-1	Process to determine material topics	Establishing Materiality	16	N/A	28-31
3-2	List of material topics	Establishing Materiality	16	N/A	28-31
3-3	Management of material topics	Sustainability Statement	16	N/A	54-94
GRI 201: Economic Performance 2016					
201-1	Direct economic value generated and distributed	Group CFO's Statement	8	N/A	41
201-2	Financial implications and other risks and opportunities due to climate change	Sustainability Statement	8	N/A	84
201-3	Defined benefit plan obligations and other retirement plans	Sustainability Statement	8	N/A	70
GRI 202: Market Presence 2016					
202-2	Proportion of senior management hired from the local community	Sustainability Statement	8, 11	N/A	73
GRI 203: Indirect Economic Impacts 2016					
203-1	Infrastructure investments and services supported	Divisional Operations Review	9	N/A	42-53
203-2	Significant indirect economic impacts	Divisional Operations Review	9	N/A	42-53
GRI 204: Procurement Practices 2016					
204-1	Proportion of spending on local suppliers	Sustainability Statement	12	N/A	61

Global Reporting Initiative ("GRI") Content Index

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 205: Anti-corruption 2016					
205-1	Operations assessed for risks related to corruption	Sustainability Statement	16	GAC 09	62-63
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Statement	16	GAC 07, 08	62-63
205-3	Confirmed incidents of corruption and actions taken	Sustainability Statement	16	GAC 13, 14	62-63
GRI 206: Anti-competitive Behavior 2016					
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Sustainability Statement	16	N/A	59
GRI 207: Tax 2019					
207-1	Approach to tax	Sustainability Statement	16	N/A	62
207-2	Tax governance, control, and risk management	Sustainability Statement	16	N/A	62
GRI 301: Materials 2016					
301-1	Materials used by weight or volume	Sustainability Statement	12	EPR 11	81
GRI 302: Energy 2016					
302-1	Energy consumption within the organization	Sustainability Statement	7, 13	ECC 15	77-79
302-3	Energy intensity	Sustainability Statement	7, 13	N/A	77-79
302-4	Reduction of energy consumption	Sustainability Statement	7, 13	ECC 40	77-79
GRI 303: Water and Effluents 2018					
303-2	Management of water discharge-related impacts	Sustainability Statement	6	EWT 24	74-76
303-3	Water withdrawal	Sustainability Statement	6	EWT 34	74-76
303-4	Water discharge	Sustainability Statement	6	EWT 30	74-76
GRI 305: Emissions 2016					
305-1	Direct (Scope 1) GHG emissions	Sustainability Statement	13	ECC 14, 38	87-89
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Statement	13	ECC 14, 38	87-89
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Statement	13	ECC 49	87-89
305-4	GHG emissions intensity	Sustainability Statement	13	ECC 14, 38	87-89
305-5	Reduction of GHG emissions	Sustainability Statement	13	ECC 14, 38	87-89

Global Reporting Initiative ("GRI") Content Index

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 306: Waste 2020					
306-1	Waste generation and significant waste-related impacts	Sustainability Statement	12	EPR 13	80
306-2	Management of significant waste-related impacts	Sustainability Statement	12	EPR 02	80
306-3	Waste generated	Sustainability Statement	12	EPR 10	80
306-4	Waste diverted from disposal	Sustainability Statement	12	N/A	80
306-5	Waste directed to disposal	Sustainability Statement	12	N/A	80
GRI 308: Supplier Environmental Assessment 2016					
308-1	New suppliers that were screened using environmental criteria	Sustainability Statement	12	N/A	60
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability Statement	12	N/A	60
GRI 401: Employment 2016					
401-1	New employee hires and employee turnover	Sustainability Statement	8	SLS 24	72
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Statement	8	N/A	70
401-3	Parental leave	Sustainability Statement	8	N/A	70
GRI 403: Occupational Health and Safety 2018					
403-1	Occupational health and safety management system	Sustainability Statement	3	SHS 01, 39	64-66
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Statement	3	SHS 04	64-66
403-3	Occupational health services	Sustainability Statement	3	N/A	66
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Statement	3	SHS 05	66
403-5	Worker training on occupational health and safety	Sustainability Statement	3	SHS 13	66
403-6	Promotion of worker health	Sustainability Statement	3	N/A	64-66
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Statement	3	SHS 37	64

Global Reporting Initiative ("GRI") Content Index

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
403-8	Workers covered by an occupational health and safety management system	Sustainability Statement	3	SHS 39	64
403-9	Work-related injuries	Sustainability Statement	3	SHS 38	66
GRI 404: Training and Education 2016					
404-1	Average hours of training per year per employee	Sustainability Statement	8	SLS 26	67
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Statement	8	SLS 26, 29	67
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Statement	8	SLS 29	67
GRI 405: Diversity and Equal Opportunity 2016					
405-1	Diversity of governance bodies and employees	Sustainability Statement	16	GCG 06, SLS 16, 32, 33	71
GRI 406: Non-discrimination 2016					
406-1	Incidents of discrimination and corrective actions taken	Sustainability Statement	10	SLS 05	71
GRI 408: Child Labor 2016					
408-1	Operations and suppliers at significant risk for incidents of child labor	Sustainability Statement	8	SLS 01, 02, 03	71
GRI 409: Forced or Compulsory Labor 2016					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainability Statement	10	SLS 14	60
GRI 411: Rights of Indigenous Peoples 2016					
411-1	Incidents of violations involving rights of indigenous peoples	Sustainability Statement	10	N/A	71
GRI 413: Local Communities 2016					
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Statement	10	SHR 15	91-94
413-2	Operations with significant actual and potential negative impacts on local communities	Sustainability Statement	10	SHR 15	93

Global Reporting Initiative ("GRI") Content Index

GRI Standard	Disclosure	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 414: Supplier Social Assessment 2016					
414-1	New suppliers that were screened using social criteria	Sustainability Statement	12	N/A	60
GRI 416: Customer Health and Safety 2016					
416-1	Assessment of the health and safety impacts of product and service categories	Sustainability Statement	3	N/A	64
GRI 418: Customer Privacy 2016					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Statement	16	N/A	59

salcon

Salcon Berhad [200201026133 (593796-T)]

PROXY FORM

CDS Account No.	No. of shares held

I/We, ... Tel.: ....
(Full name in block, NRIC/Passport/Company No.)

of ....
(Address)

being a member of **Salcon Berhad**, hereby appoint:-

Full Name (in Block)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address:			
Contact No.:	Email address:		

and/or* (*delete as appropriate)

Full Name (in Block)	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address:			
Contact No.:	Email address:		

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twentieth Annual General Meeting ("**20th AGM**") of the Company which will be conducted on a virtual basis through live streaming from the Broadcast Venue at Tricor Business Centre, Gemilang Room, Unit 29-02, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("**Broadcast Venue**") on Wednesday, 21 June 2023 at 10:30 a.m., or any adjournment thereof, and to vote as indicated below:-

AGENDA	RESOLUTION	#FOR	#AGAINST
ORDINARY BUSINESS			
To approve the payment of Directors' fees of up to RM310,000 for the period immediately after the 20th AGM until the next AGM of the Company to be held in 2024.	Ordinary 1		
To approve the payment of Directors' benefits of up to an amount of RM200,000 for the period immediately after the 20th AGM until the next AGM of the Company to be held in 2024.	Ordinary 2		
To re-elect Tan Sri Dato' Tee Tiam Lee as Director.	Ordinary 3		
To re-elect Datin Goh Phaik Lynn as Director.	Ordinary 4		
To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary 5		
SPECIAL BUSINESS			
To grant authority to Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.	Ordinary 6		
To approve the Proposed Renewal of Share Buy-Back Mandate.	Ordinary 7		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this .... day of ....

____
Signature^
Member

^Manner of execution:-
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

1. **IMPORTANT NOTICE FOR VIRTUAL MEETING**
   The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 20th AGM.

   Members are to attend, speak (including posing questions to the Board of Directors ("**Board**") via real time submission of typed texts) and vote (collectively, "**participate**") remotely at the 20th AGM via the Remote Participation and Voting ("**RPV**") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. via its TIIH Online website at https://tiih.online.

   Please read these Notes carefully and follow the procedure in the Administrative Guide for the 20th AGM in order to participate remotely via RPV.

2. **APPOINTMENT OF PROXY**
   a) For the purpose of determining who shall be entitled to participate in this AGM via RPV,the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a Record of Depositors as at 14 June 2023. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM or appoint a proxy or proxies to participate on his/her/its behalf via RPV.

   b) A member who is entitled to participate at this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his place. A proxy may but need not be a member of the Company.

   c) A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the AGM via RPV.

   d) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("**Central Depositories Act**"), 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.

   e) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

   f) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

   g) A member who has appointed a proxy or attorney or authorised representative to participate at the AGM via RPV must request **his/her proxy or attorney or authorised representatives to register himself/herself** for RPV via TIIH Online website at https://tiih.online. Procedures for RPV can be found in the Administrative Guide for the AGM.

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AFFIX
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SALCON BERHAD
[200201026133 (593796-T)]

c/o Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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h) The appointment of a proxy may be made in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote:

   (i) In hard copy form
   In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

   (ii) By electronic form
   In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via the TIIH Online website at https://tiih.online. Please follow the procedures as set out in the Administrative Guide for the electronic lodgement of the proxy form.

i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the AGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.

k) Last date and time for lodging this proxy form is on **Monday, 19 June 2023** at **10:30 a.m.**

l) For a corporate member who has appointed an authorised representative, please deposit the **ORIGINAL** certificate of appointment of authorised representative with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The certificate of appointment of authorised representative should be executed in the following manner:-
   (i) If the corporate member has a common seal, the certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member.
   (ii) If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by:-
      (a) at least two (2) authorised officers, of whom one shall be a director; or
      (b) any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

www.salcon.com.my

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