salcon

Achieving Sustainable Growth

Annual Report 2014

VISION

To be a
world leader
in water
sanitation
services

MISSION

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

Core Values

Teamwork

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

Commitment

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

Professionalism

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

Results

We strive towards maximizing stakeholders' values and returns.

Respect

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

Contents

Cover Rationale

'Achieving Sustainable Growth' is the theme of this annual report's cover and it highlights Salcon Berhad's unswerving commitment to sustainability. As a water and wastewater engineering company, we are determined to grow in a sustainable manner, which is why even our diversification into new business activities like property development is guided by sustainability concerns.

On the cover, the giant taps represent our water and wastewater engineering activites. They are harmoniously integrated into an evergreen setting along with an image of one of our property developments. Clearly, sustainability is deeply ingrained in our corporate culture.

Financial Statements

Other Information

Corporate Information

BOARD OF DIRECTORS

Dato' Seri (Dr.) Goh Eng Toon
Chairman, Non-Independent Non-Executive Director

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Dato' Dr. Freezailah bin Che Yeom
Independent Non-Executive Director

Dato' Choong Moh Kheng
Independent Non-Executive Director

Chan Seng Fatt
Independent Non-Executive Director

AUDIT COMMITTEE
Chan Seng Fatt (Chairman)
Dato' Dr. Freezailah bin Che Yeom
Dato' Seri (Dr.) Goh Eng Toon

NOMINATION COMMITTEE
Dato' Dr. Freezailah bin Che Yeom (Chairman)
Dato' Seri (Dr.) Goh Eng Toon
Dato' Choong Moh Kheng

REMUNERATION COMMITTEE
Dato' Seri (Dr.) Goh Eng Toon (Chairman)
Dato' Dr. Freezailah bin Che Yeom
Dato' Choong Moh Kheng

RISK MANAGEMENT COMMITTEE
Chan Seng Fatt (Chairman)
Dato' Leong Kok Wah
Jamiluddin Amini Bin Sulaiman
Ooi Cheng Swee @ Wee Kwee Swee

ESOS COMMITTEE
Tan Sri Dato' Tee Tiam Lee (Chairman)
Dato' Leong Kok Wah
Law Woo Hock

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

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

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

AUDITORS
KPMG (AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

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

SHARE REGISTRAR
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 603-2264 3883
Fax : 603-2282 1886

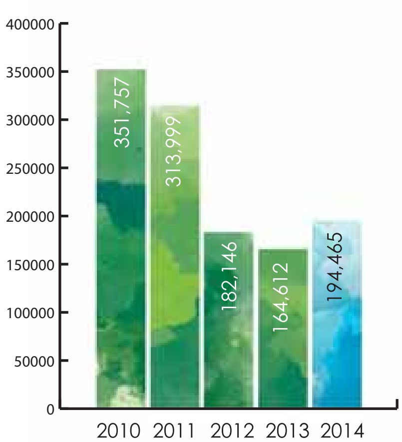
STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
(Listed since 3 September 2003)
Sector: Trading/Services
Stock Name: SALCON
Stock Code: 8567

WEBSITE
www.salcon.com.my

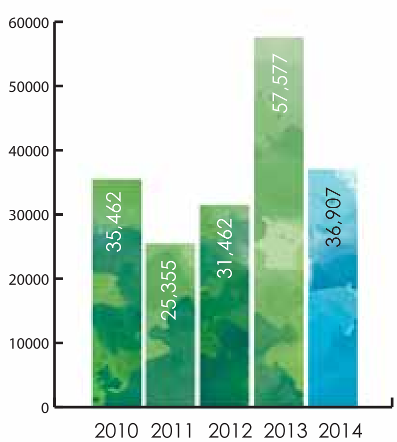
Financial Highlights

	2010 (restated)	2011 (restated)	2012 (restated)	2013	2014
Revenue (RM '000)	351,757	313,999	182,146	164,612	194,465
Profit Before Tax (RM '000)	24,686	9,667	(1,411)	(30,756)	5,656
Profit After Tax (RM '000)	35,462	25,355	31,462	57,577	36,907
Profit Attributed to Owners of the Company (RM '000)	26,793	14,645	11,282	24,944	4,608
Total Assets (RM '000)	858,989	1,081,508	1,227,276	1,206,580	950,387
Total Liabilities (RM '000)	446,522	533,078	585,231	486,224	308,421
Total Equity Attributable to Owners of the Company (RM '000)	323,105	389,398	416,555	506,419	540,416
No. of Shares Issued ('000)	473,548	474,308	521,738	608,304	674,640
Net Assets per Share Attributable to Owners of the Company (RM)	0.68	0.82	0.80	0.83	0.80
Basic Earnings per Share (sen)	5.72	3.09	2.21	4.50	0.71
Dividend per Share (sen)	1.5	1.5	1.0	3.0	3.0
Return on Equity (%)	8.29	3.76	2.71	4.93	0.85
Share Price (Min) (RM)	0.605	0.390	0.405	0.395	0.555
Share Price (Max) (RM)	0.875	0.740	0.640	0.725	1.010

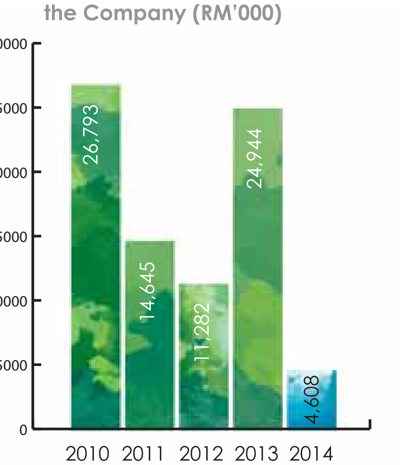
Revenue (RM'000)



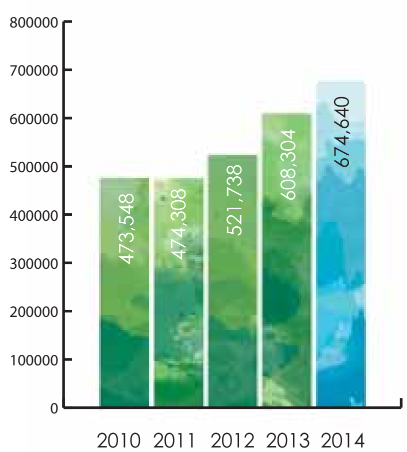
Profit After Tax (RM'000)



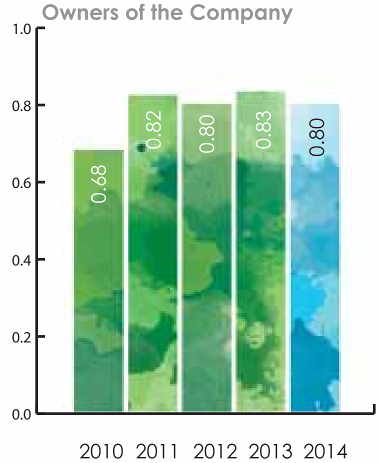
Profit Attributed to Owners of the Company (RM'000)



No. of Shares Issued



Net Assets per Share Attributable to Owners of the Company



From its small and humble beginnings as a company providing water treatment for palm oil mills, Salcon has today, evolved into a premier water and wastewater engineering company with a market capitalization of more than RM400 million and are well positioned to build on its accomplishments.

To date, the Group has completed more than 900 water and wastewater projects in Malaysia, Thailand, Sri Lanka, Vietnam and China. Salcon is proud to have built a strong foothold and solid reputation in water and wastewater market and envisions itself to be in the forefront of future projects in other parts of Asia which has tremendous growth for expansion.

In year 2012, as part of the Group's strategic plans to bring the company to its next phase of growth, Salcon ventured into the property development business with its maiden project, res 280. Leveraging on strategic partners with relevant expertise and track record, the property development unit will diversify the company's income base and ensure sustainability of its financial performance.

Besides water/wastewater and property development business, the Group has also invested in technology services, transportation and solar power system to further expand its revenue streams.

With the Group's diversified business model, we look forward to continued success for the next 40 years, built upon a strong foundation for future growth with sustainable recurring income streams.


1974-1984
1985-1994
1995-2004
2005-2014

Corporate Structure

as at 30 April 2015

salcon

- 60% Salcon Water (Asia) Limited
  - 1 share
  - 99.99% Salcon Linyi (HK) Limited
    - 60% Linyi Salcon Water Company Limited
  - 99.99% Salcon Services (HK) Limited
    - 100% Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd.
- 100% Salcon Power (HK) Limited
- 99% Salcon Water (HK) Limited
  - 1%
- 100% Salcon Engineering Berhad
  - 99%
- 1% Salcon Engineering (India) Pte Ltd
- 100% Salcon Changzhou (HK) Limited
  - 100% Changzhou Salcon Wastewater Treatment Company Limited
- 100% Salcon Water International Limited
  - 100% Salcon Investment Consultation (Shanghai) Company Limited
- 100% Salcon Development Sdn Bhd
  - 50% +1 share Azitin Venture Sdn Bhd
  - 50.01% Nusantara Megajuta Sdn Bhd
  - 70% Prestasi Kemas Sdn Bhd
- 100% Salcon Capital Sdn Bhd
  - 51.3% Eco-Coach & Tours (M) Sdn Bhd
    - 100% Eco Tours Asia Sdn Bhd
- 51% Integrated Water Services (M) Sdn Bhd
- 70% Kencana Kesuma Sdn Bhd
- 70% Salcon Utilities Sdn Bhd
- 100% Satria Megajuta Sdn Bhd
- 50% +1 share Volksbahn Technologies Sdn Bhd
- 100% Salcon Petroleum Services Sdn Bhd

Operating Companies

Dormant Companies

Corporate Structure

as at 30 April 2015 (cont'd)

- 100% Linyi Salcon Water Supply Facilities Company Limited
- 100% Linyi Runcheng Water Supply Project Company Limited

- 100% Salcon Holdings (Mauritius) Limited
- 40% Salcon (Perak) Sdn Bhd
- 100% Tanjung Jutaria Sdn Bhd
- 100% Precise Metal Sdn Bhd
- 100% Bumi Tiga Enterprise Sdn Bhd
  - 100% Skeel Engineering Sdn Bhd
  - 100% Salcon Building Services Sdn Bhd
- 100% Salcon Corporation Sdn Bhd
- 100% Salcon (Sarawak) Sdn Bhd
- 50% Glitteria Sdn Bhd
- 100% Salcon Power Sdn Bhd
  - 100% Salcon Green Energy (UK) Limited
- 100% Salcon Engineering Vietnam Company Limited
- 60% Envitech Sdn Bhd
  - 50% Wet Envitech Sdn Bhd
- 100% Salcon Environmental Services Sdn Bhd
- 40% Emas Utilities Corporation Sdn Bhd
  - 90% Binh An Water Company Limited
- 100% Salcon-Centrimax Engineering Sdn Bhd
- 36% Salcon MMCB AZSB JV Sdn Bhd
- 36% Salcon MMCES AZSB JV Sdn Bhd
- 100% Salcon Petroleum Services (Asia Pacific) Sdn Bhd (Formerly known as Salcon Petroleum Services Sdn Bhd)
- 50% Salcon Loh & Loh JV Sdn Bhd

INNOVATIVE EXPANSION

We aim to achieve growth through diversification. However, we ensure that synergy exists between our integrated resources.

Board Of Directors

DATO' SERI (DR.) GOH ENG TOON
Chairman, Non-Independent Non-Executive Director

DATO' CHOONG MOH KHENG
Independent Non-Executive Director

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Board Of Directors
(cont'd)

DATO' LEONG KOK WAH
Executive Director

CHAN SENG FATT
Independent Non-Executive Director

DATO' DR. FREEZAILAH BIN CHE YEOM
Independent Non-Executive Director

Profile Of Directors

DATO' SERI (DR.) GOH ENG TOON

Chairman, Non-Independent Non-Executive Director

Dato' Seri (Dr.) Goh Eng Toon, aged 81, was appointed to the Board of Salcon Berhad ("Salcon") on 15 June 2005 as the Vice Chairman. He was appointed the Chairman of Salcon on 18 October 2007.

He holds a Cambridge General Certificate of Education and is a Fellow of the Institute of Bankers Malaysia.

Dato' Seri (Dr.) Goh started his banking career with Midland Bank in the United Kingdom in the early fifties and Malayan Banking Berhad from 1960 to 1973. In 1973, he was appointed the Chief Executive Officer ("CEO") of Ban Hin Lee Bank Berhad, Director and CEO in 1978, Acting Chairman and CEO in 1986 and became its Chairman and CEO from 1990 until the merger of Ban Hin Lee Bank Berhad and Southern Bank Berhad in July 2000. He was a Director of Southern Bank and its Group: Southern Finance Berhad, SBB Mutual Berhad (formerly known as BHLB Pacific Trust Management Berhad), BHLB Asset Management Sdn Bhd and BHL Venture Berhad until 2004, when he retired from the Bank and the Group. He was also the Chairman of BHLB Trustee Berhad until December 2005.

He also served on the Board of Aviva Insurance Berhad ("Aviva") as its Chairman. He was also the Chairman of the Audit, Risk Management, Nomination and Remuneration Committees of Aviva. He retired from Aviva in September 2006 when it merged with MSIG Insurance Berhad.

Dato' Seri (Dr.) Goh was a Director and Chairman of Rockwills Trustee Berhad until 5 May 2011.

He presently serves on the Board and as the Chairman of Pulau Pinang Clinic Sdn. Bhd. (Gleneagles, Penang). He is also a Director of Heng Lee & Co. Sdn Bhd and its Group of Companies. He also serves as trustee in many charitable homes, institutions and associations.

In recognition of Dato' Seri (Dr.) Goh's contribution to nation building in economic, social and education sector, he was conferred the Doctor of Laws, honoris causa from Wawasan Open University on 23 October 2010.

Dato' Seri (Dr.) Goh is currently the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

Profile Of Directors
(cont'd)

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 58, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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

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

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

Tan Sri Dato' Tee is the Chairman of ESOS Committee and a substantial shareholder of the Company. He was a senior adviser of the Company.

Profile Of Directors
(cont'd)

DATO' LEONG KOK WAH
Executive Director

Dato' Leong Kok Wah, aged 61, 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 Institute of Bankers Malaysia.

Dato' Leong has an extensive career and held senior positions in the banking industry. He has vast experience in stockbroking, asset management and options and futures trading. He sits on the Board of various companies in Malaysia. He was an Independent Non-Executive Director and a member of Audit Committee, Nomination Committee and Remuneration Committee of S P Setia Berhad until 28 February 2013.

Dato' Leong is a Non-Independent Non-Executive Deputy Chairman of Eco World Development Group Berhad (formerly known as Focal Aims Holdings Berhad). He also sits on the Board of MUI Continental Berhad (formerly known as MUI Continental Insurance Berhad) and is the Chairman of its Risk Management Committee and a member of its Audit Committee and Investment Committee.

He is a member of the Risk Management Committee and ESOS Committee of the Company.

Profile Of Directors
(cont'd)

DATO' DR. FREEZAILAH BIN CHE YEOM
Independent Non-Executive Director

Dato' Dr. Freezailah bin Che Yeom, aged 75, was appointed to the Board of Salcon on 21 July 2003.

He holds a First Class Honours degree in Forestry and a Doctor of Philosophy in Ecology from the University of Edinburgh, United Kingdom.

Dato' Dr. Freezailah has more than 40 years of experience in various fields of the forestry sector including holding several senior management positions. In 1987, he was elected to serve as the founding Executive Director of the UN-Sponsored International Tropical Timber Organisation ("ITTO") based in Yokohama, Japan with the rank of Assistant Secretary-General on the UN-Scale. He provided leadership to the 57-member-country ITTO and nurtured its growth and development into a respected global body to promote the conservation, sustainable management and utilisation of the world's tropical forests. In recognition of his contributions to the forestry sector, the ITTO created the "Freezailah Fellowship Fund" on his retirement in 1999 and he was conferred "Award of Excellence" by the Commonwealth Forestry Association.

He was also conferred the "Order of the Rising Sun, Gold Rays with Neck Ribbon" by His Majesty the Emperor of Japan. He is a Fellow of the Institute of Foresters Malaysia and Honorary Member of the Society of American Foresters. He has also addressed many important forestry fora. He was a council member of Wawasan Open University College.

Dato' Dr. Freezailah was bestowed with the 2013 Chinese Government Friendship Award – the Chinese government's highest honor for foreigners who have made exceptional contributions to China's economic and social progress on 29 September 2013.

Dato' Dr. Freezailah is currently the Chairman of the Malaysian Timber Certification Council. He is also a member of the Board of Trustees of Yayasan Tunku Abdul Rahman and Yayasan Salam. Dato' Dr. Freezailah is active in various national and international organisations and initiatives dealing with forestry, conservation, environmental issues and related technological advances.

Dato' Dr. Freezailah is the Chairman of Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company.

Profile Of Directors
(cont'd)

CHAN SENG FATT
Independent Non-Executive Director

Chan Seng Fatt, aged 51, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr. Chan has an extensive career exposure spanning more than 25 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation and general management.

He has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr. Chan 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 October 2007 and held the position until December 2012.

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

Mr. Chan is the Chairman of Audit Committee and Risk Management Committee of the Company.

Profile Of Directors
(cont'd)

DATO' CHOONG MOH KHENG
Independent Non-Executive Director

Dato' Choong Moh Kheng, aged 59, was appointed to the Board of Salcon on 3 January 2011.

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

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

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

Dato' Choong is a member of the Nomination Committee and Remuneration 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 the following:-*
   - *(a) Datin Goh Phaik Lynn, who is a major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, is the spouse of Dato' Leong Kok Wah and a daughter of Dato' Seri (Dr.) Goh Eng Toon; and*
   - *(b) Dato' Leong Kok Wah is a son-in-law of Dato' Seri (Dr.) Goh Eng Toon.*
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 offences (other than traffic offences) within the past 10 years.*

DYNAMIC LEADERSHIP

Our ability to adapt to changing circumstances enables us to lead the way forward at all times.

Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I am delighted to present to you the Annual Report and Audited Financial Statements of Salcon Berhad ("Company") and its group of companies ("Group") for the financial year ended 31 December 2014.

Chairman's Message
(cont'd)

Financial Performance

During the year under review, the Group recorded a revenue growth of 23% to RM194.5 million as compared to RM164.6 million for the same period in the preceding year. However, profit after tax was 36% lower at RM36.9 million during the financial year as compared to a profit after tax of RM57.6 million in the previous year. The drop in profit is due to lower profit from the discontinued China concessions as a result of the completion of disposal transactions under SPA-B apart from Salcon Linyi (HK) Limited.

We are delighted that the Group has successfully secured two landmark projects in Selangor, namely Langat 2 Water Treatment Plant project and the Langat Centralized Sewage Treatment Plant project with a combined contract value of nearly RM600 million in April and December 2014 respectively. These two projects will keep us busy for the next 2-3 years and are expected to contribute positively to the Group's earnings in the coming financial year.

The Group's balance sheet remains strong with shareholders' funds at RM540.4 million whilst cash and cash equivalents of RM294.5 million as at 31 December 2014. The Group is at net cash position in terms of gearing.

Dividends

As demonstrated in previous years, the Company remains committed to a progressive dividend policy for the financial year ended 2014 and the Board is proposing a first and special final single tier dividend of 3.0 sen per share equivalent to RM20.2 million.

Awards and Recognitions

In April this year, Salcon was awarded IEM Award for Contribution to Engineering Industry in Malaysia by the Institution of Engineers Malaysia in recognition of its contribution and achievement in Water and Wastewater Engineering.

The Group was also awarded the Best Site Construction Management under the category of 'Projek Pembinaan Sistem Rangkaian Paip Pembetungan bernilai melebihi RM100 juta' by Jabatan Perkhidmatan Pembetungan (JPP). The award and recognition for best construction site management is testament to the Group's excellence in the construction management of Package D55 which involved upgrading works of sewerage services in Klang. The award was presented by YB Datuk Seri Panglima Dr Maximus Johnity Ongkili, the Minister of Energy, Green Technology and Water during the 'Malam Amal Mesra' organized by JPP – Yayasan Hijau on 23rd November 2014.

IEM Award for Contribution to the Engineering Industry in Malaysia by the Institution of Engineers Malaysia

The Best Site Construction Management Award by Jabatan Perkhidmatan Pembetungan (JPP)

Chairman's Message
(cont'd)

Laying of fibre optic cables along the LRT track in the Klang Valley

rés280 sales team during Buyers' Appreciation Day

Business Outlook and Prospects

As a premier water and wastewater engineering treatment specialist in Malaysia and other Asian regions since 1974, Salcon continues to play a vital role in the water and wastewater industry. Having established a strong foothold in our core business of water and wastewater management, the Group has started venturing into property development and technology services, as part of its long-term strategic plans to diversify its businesses and revenue streams.

The Malaysian economy is expected to expand at a steady pace with Gross Domestic Product (GDP) growth of between 4.5% to 5.5% in 2015, despite the declining crude oil price and ringgit depreciation. This modest growth will be driven by resilient domestic demand underpinned by the 2015 Budget measures and the anticipated improving external sector given the better global economic outlook.

In terms of prospects for water and wastewater projects, in the National Budget 2015 announced in October last year by the Prime Minister, the Government will formulate a National Water Blueprint to ensure sustainable long-term water supply nationwide. These include holistic management of rivers, construction and improving water treatment plants all of which are expected to create opportunities for the Group.

The Group will remain vigilant to market changes and alert to take on such opportunities that may arise from the domestic and overseas markets that the Group operates in.

As for property development, the Group is positive with the growth of the industry. We believe that buying interest should progressively return as potential house buyers come to the realisation that property prices are resilient and that potential inflationary pressures from the implementation of the GST in April 2015 could push up property prices further.

In our new technology services venture, we look forward to good contribution as the Group anticipates to sign new contracts to supply fibre optic services as well as build on other ancillary businesses by leveraging on our fibre optic infrastructure and through strategic partnerships.

We are confident that with our good management skills and expertise together with the new areas that we venture in, we will deliver on our promises and excel in our performance. We remain committed to the objectives that have driven our success over the past 40 years. These values are ingrained into our corporate culture and are followed in every aspect of our business operation through our five core values: Commitment, Teamwork, Professionalism, Respect and Results.

Corporate Responsibility

We place our corporate responsibilities high on our agenda to ensure good corporate governance practices to instil confidence in the Group. We subscribe and will continue to uphold the principles of good corporate governance as we believe that it is the platform for sustainable enhancement of shareholders' value.

Appreciation

I would like to take this opportunity to express our appreciation to the management and employees of the Group for their dedication and commitment and to our shareholders, partners, customers, suppliers, bankers and regulatory authorities for their invaluable support and assistance during the year. We look forward to their continuous support to embrace and overcome the new challenges ahead.

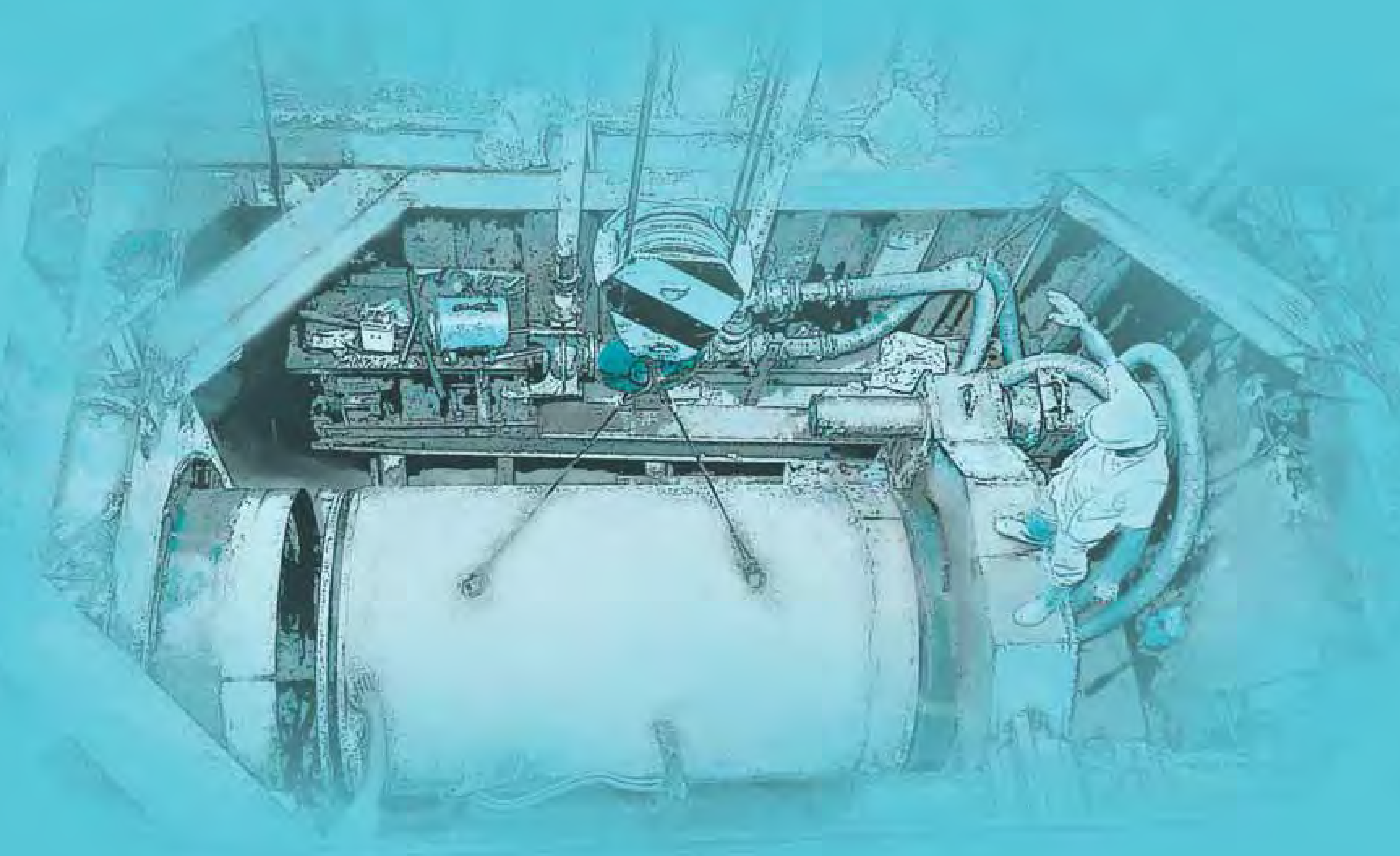
Last but not least, on behalf of the Board, I would like to express our sincere appreciation and highest gratitude to Mr. Ho Tet Shin for his dedication and contribution during his tenure as an Independent Non-Executive Director of Salcon Berhad since 2005. I take this opportunity to wish him all the best for his future endeavors. I am pleased to welcome Mr. Chan Seng Fatt, an experienced management leader in various corporate entities for more than 25 years as a new member to the board.

Yours Sincerely,

Dato' Seri (Dr.) Goh Eng Toon
Chairman
Salcon Berhad

MANAGEMENT REVIEW

In 2014, the major contributor to the Group's revenue was from the Engineering and Construction division which generated 91% of the Group's total revenue.



Management Review
(cont'd)

OVERVIEW

The Group's core businesses are in the areas of Engineering and Construction of water and wastewater treatment plants, Property Development and other businesses including Transportation and Technology Services.

During the year under review, the Group had ventured into Technology Services as part of its corporate strategy to increase growth and profitability via the acquisition of a majority stake in Volksbahn Techologies Sdn Bhd (VBT). VBT has been granted the exclusive right of way to lay and provide telecommunication services via the 108km of fibre optic cables in collaboration with asset owner and operator of the country's two Light Rail Transit (LRT) networks and the KL Monorail, Prasarana Malaysia Berhad.

In financial year ended (FYE) 2014, the major contributor to the Group's revenue was from the Engineering and Construction division which generated 91% of the Group's total revenue. Though Property Development and Technology Services divisions did not contribute in FYE 2014, the Group looks forward to their positive and significant contribution in the medium term.

With the completion of the sale of the Group's China water and wastewater concessions (save for the final concession held under Salcon Linyi (HK) Limited), the Group's balance sheet remains healthy with a cash position of RM294.5 million.

Management Review (cont'd)

Engineering & Construction Division

The Engineering and Construction division recorded a strong performance with a 19% increase in revenue from RM148.3 million to RM177.1 million during the year under review.

In tandem with the growth in revenue, the division registered a profit after tax of RM6.2 million compared to a loss after tax of RM27.2 million in the previous year. During the year under review, the Group secured 2 major contracts namely, Langat 2 Water Treatment Plant and the Langat Centralised Sewage Treatment Plant projects. Contribution from this division is expected to increase further in the coming years as works under these contracts will be completed progressively.

As at 31st March 2015, the Group's outstanding order book stood at RM1.1 billion comprising water and wastewater projects, both locally and overseas with RM691.0 million balance of works to be carried out.

Earthworks at Langat 2 Water Treatment Plant project site

The Engineering and Construction division recorded a strong performance with a 19% increase in revenue from RM148.3 million to RM177.1 million

Operational highlights – Malaysia

During the year under review, Salcon and its joint venture partners MMC Corporation Berhad (MMC) and Ahmad Zaki Sdn Bhd (AZSB) won the largest single water contract in Southeast Asia, the Langat 2 water treatment plant in Selangor with an initial capacity of 1,130 MLD by Pengurusan Aset Air Berhad (PAAB). The RM993.9 million water treatment plant project will treat raw water which is transmitted through a raw water transfer tunnel from Sg Semantan in Pahang to the treatment plant. Upon completion, the plant will be able to provide treated water to meet the needs of consumers in Selangor, Kuala Lumpur and Putrajaya up to 2025.

Contribution from the project will only be reflected in the Financial Year of 2015 onwards as the project works progress. The project is expected to be completed in 36 months from the date of site possession.

Another notable contract secured during FYE 2014 is the Langat Centralised Sewage Treatment Plant. The project, valued at RM470 million was awarded to the JV consortium of Salcon Engineering Berhad and Loh & Loh Constructions Sdn Bhd (known as Salcon Loh & Loh JV Sdn Bhd) by MMC Corporation Berhad. The contract involves the construction of a sewage treatment plant with a capacity of 920,000 population equivalent (PE) and includes 2 years of Operation & Maintenance works. The project is scheduled to be completed within the period of 70 months, commencing 22 December 2014 and completing on 19 October 2020. Upon completion, the Langat centralized sewage treatment plant will serve the sub-catchment areas of Cheras Batu 11, Cheras Jaya, part of Kajang town and Desa Baiduri covering an area of 77 square kilometres.

Management Review
(cont'd)

Though the Group did not secure any new contracts in its Non-Revenue Water (NRW) division in FYE 2014, it is actively tendering for new NRW projects locally and overseas such as in Sri Lanka.

The Group via its subsidiary, Envitech Sdn Bhd bagged two (2) wastewater construction projects with a total value of RM20.7 million consisting of the construction of sewerage pumping station and associated works for a proposed mixed development in Kapar, Klang and the construction of force main works (FMW) from intermediate pumping station at Tropicana Metropark. Both contracts are expected to contribute positively to the Group's earnings.

Installation of main pipe at Tropicana Metropark, Off Persiaran Teknologi Subang, Shah Alam


Sedimentation tank at Kelani Right Bank Water Treatment Plant, Sri Lanka

Operational highlights - Overseas

In FYE 2014, the overseas projects contribute 31% of the total revenue in the engineering and construction division. These comprise projects located in Sri Lanka, India, Vietnam and Thailand.

In Thailand, the Group is undertaking a project under the Metropolitan Waterworks Authority which encompasses the construction of reservoirs for Phet Kasem and Rat Burana Distribution Pumping Stations and Related Works in Bangkok, Thailand. The project which is under the Eight Bangkok Water Supply Improvement Project is funded by Japan International Cooperation Agency (JICA) and is currently nearing completion.

In Vietnam, the Group has successfully completed Contract No. CP2 of the Nhon Trach water supply project involving the laying of 48.8 km of raw water and treated water pipeline to Bien Hoa City and the District of Vinh Cuu, Long Thanh and Nhon Trach.

Apart from that, the Group is active in Sri Lanka and is currently undertaking the Kandana Water Treatment Plant extension under the Kalu Ganga Water Supply Project. The project, which is funded by JICA loan and comprises civil, mechanical and electrical works is about 65% completed. Upon completion, the plant will reduce dependence on the Kelani Ganga water source and ensure adequate and safe drinking water for over 250,000 people living in the outer southern areas of Greater Colombo, including Kesbewa, Piliyandala, Jamburaliya, and Kumbuke.

In India, the physical works for the Davanagere water supply project which involves the laying of raw water pumping main from Rajanahalli Head works to Kundawada Lake, the installation of New Vertical Turbine, Centrifugal pump sets and the construction of clear water storage reservoir have been practically completed. The testing and commissioning of these pipeline and pumping station is pending the completion of rectification of existing DC panel by the City Corporation. Upon commissioning, this project will provide an additional 40 MLD of water to support the city's growth and development.


Overall view of Sewage Treatment Plant And Pumping Station At Elmina, Shah Alam, Selangor

Management Review (cont'd)

Looking forward

The award of the notable projects especially the Langat 2 Water Treatment Plant project has again strengthened the Group's position in the water and wastewater engineering industry in Asia.

With the existing contracts in hand and a healthy outstanding order book, the Group remains positive and optimistic on the performance of the water and wastewater division in the coming years.

Moving forward, the Group will continue to seek further opportunities to widen its water related businesses both locally and overseas. The Group is currently tendering for RM2.2 billion worth of water and wastewater related contracts. Malaysia remains the core market for the Group's growth and expansion especially in the area of wastewater treatment where the Government is moving towards the construction of centralised sewage treatment plants in various cities and major towns to meet the growing needs of the nation. The Group foresees itself playing a leading role in this area where our experience, expertise and track record will stand in good stead.

Whilst Malaysia is the market for the Group's water and wastewater division, the Group has also penetrated oversea markets to expand its brand and services. The Group has submitted more than RM650 million worth of tenders in Sri Lanka. The tenders include NRW reduction works in South and West of Colombo City, as well as Greater Colombo Wastewater Pumping Station.

The Group has submitted more than RM650 million worth of tenders in Sri Lanka

Non-Revenue Water works in Kudat, Sabah

Concession Investments Division

China Concessions

To date, the Group has completed the disposal of eight (8) concessions out of its nine (9) concessions in China.

The last concession still pending completion under SPA-B with Beijing Enterprises Water Group Limited (BEWG) is Salcon Linyi (HK) Limited. SPA-B has been mutually extended to facilitate the Group's appeal to contest against claims amounting to RM14.2 million made by Linyi Water Group Ltd and Linyi Salcon Water Co Ltd. Although this amount has been fully provided for in our accounts for FYE 2014, the Group intends to exhaust all necessary means to contest against these claims and to extract full value from the concession. Currently, the Group has filed an appeal in Jinan High Court and awaiting hearing of the appeal.

Vietnam Concession

The Binh An water concession located in Ho Chi Minh city, Vietnam continues to provide the Group with a steady stream of income. During FYE 2014, contribution from this concession amounted to RM4.0 million.

View of Aerator at Binh An Water Treatment Plant, Vietnam

Management Review
(cont'd)

Property Development Division

Financial highlights

The Property Development division has so far not recorded any revenue due to the adjustment made arising from the notice issued by Malaysian Accounting Standards Board (MASB) on 2 September 2014 which disallows companies that have applied the Malaysian Financial Reporting Standards (MFRS) from reverting to the Financial Reporting Standards (FRS) to recognize income and profits based on stages of completion. Under the MFRS standards, revenue shall only be recognised upon completion of a development.

Operational highlights

The Group's maiden project, rés280 is expected to start contributing by financial year 2017 upon its full completion. Located within Taman Selayang Jaya and Kepong, rés280 has an estimated gross development value of RM157.5 million and features a 21-storey commercial building comprising 12 units of 2 -storey shop-office and 280 units of SOHO build on 42,926 sqft of land. This exclusive mix development, has received fair response since its launch.

In the southern part of Malaysia, the Group has also entered into a joint venture with Ecoworld Development Sdn Bhd to develop two (2) parcels of land with a total area of 553,884 sqft in the heart of Johor Bahru. The proposed development, named Eco Mid Town is set to be launched in 2015 and will comprise mixed residential and commercial development. It is strategically located within the Flagship Zone A of the Iskandar Malaysia and approximately 2 km north of the central business district of Johor Bahru.

The Group recently acquired a company which had entered into a long term lease for a 5.35 acres piece of land in Jalan Belfield, Kuala Lumpur. The land is strategically located in the vicinity of Malaysia's proposed mega iconic development namely Menara Warisan Merdeka. Its central location and close proximity to public transportation – it has 2 MRT stations (Pasar Seni & Warisan 118 under construction), a LRT station (Pasar Seni) and a monorail station (Maharajalela) in its vicinity, makes this location exceptionally convenient and attractive to tenants and patrons alike. The Group is confident that this development will give us reasonably good returns and significant profile enhancement in the property arena.

Looking forward

With these new promising developments located in key strategic areas, the Group looks forward to accelerate the implementation of these projects so that the Property Development division will soon bring about meaningful contributions to the Group's performance.

Going forward, the Group remains prudent and selective in acquisition of any potential land banks with special focus in high growth areas such as Klang Valley and Penang to meet the market demands.

Artist Impression of Eco Midtown in Johor

Rés280 showroom during Chinese New Year celebration and Buyers' Appreciation Day

Strategic location of land in Kampung Attap

Management Review (cont'd)

Other Divisions

Transportation

The transportation services provided by Salcon's subsidiary, Eco-Coach & Tours (M) Sdn Bhd (Eco-Coach) which operates in Penang, recorded total revenue of RM13.6 million representing 7% of total revenue recorded by the Group in FYE 2014. Eco-Coach operates as a specialist transportation services provider to multinational companies such as Intel Corporation. Since last year, Eco-Coach has expanded its fleet to 92 vans, 31 buses, 5 MPVs (as at 31 December 2014) to cater for new multinational companies such as Paramit, Western Digital and Bard located in Kedah and Penang.

Training was conducted for all drivers by Kulim Fire Dept in 2014 at Eco-Coach Kulim Office.

Technology Services

Following the disposal of its water assets in China and as part of its strategy to diversify its revenue base, the Group has on 7 May 2014 acquired 50% plus one ordinary share in Volksbahn Technologies Sdn. Bhd. (VBT), a fibre optic cable layer and communication technologies service provider for RM23.5 million.

Through its venture in VBT, the Group will undertake a 15 years concession to lay and maintain 108 km of fibre optic cables along the monorail and light rail transit systems in collaboration with Prasarana Malaysia Berhad. The fibre optic cables laid alongside the rails will provide a platform for local telecommunication companies to improve their service coverage in densely populated commercial areas in Kuala Lumpur city centre by making use of our fibre optic infra-network. As at March 2015, 65 kilometers of fibre optic cable installation was completed on the existing light rail transit rail in Klang Valley.

Besides this, VBT will also be able to leverage on the same fibre optic backbone to provide other ancillary services including advertising, remitting and ticketing services etc through smart partnerships with other companies. To date, we have signed a Memorandum of Understanding with Celcom Axiata to provide enhanced connectivity and digital services in the Klang Valley for LRT and monorail users.

Fibre splicing 1 of 57,000 splices in total during the laying of fibre optic cables along the LRT lines

Business outlook

Moving forward, the Group looks to strengthening its foothold in its diversified businesses both locally and overseas especially in the water and wastewater industry as well as the property development and technology services business.

The water and wastewater segment is a key driver for the Group's order book growth. The Group will keep looking out for attractive projects under the Economic Transformation Programme to restructure water assets and initiatives to integrate and build new centralised sewerage treatment plants nationwide.

Under the recently announced budget by the Prime Minister, the Government will intensify efforts to address the issue of non-revenue water. A sum of RM112 million is allocated for setting up leakage control zones as well as detecting and repairing leaking pipes. This will provide opportunities for the Group to provide non-revenue water services to the government.

The Group remains confident on its tender prospects in the overseas market especially Sri Lanka given the established track record and successful completion of various projects in the country.

Although the property development market has softened over the past one year in Malaysia, the Group foresees that buying interest will grow progressively over time as buyers come to the realisation that property prices would only increase further with the implementation of GST. The Group believes that capitalising on reasonable and strategic landbanks such as in Kampung Attap will bring good yields.

The net cash from the disposal of the Group's China concession will be cautiously deployed for its expansion into the newly established property development division and investments in new income streams. The Group looks forward to enhance its revenue base and profitability especially from the two new business segments to benefit our shareholders.


NATURAL 100%
H_2O
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GENUINE SUSTAINABILITY

Sustainability is a key priority. We ensure that our business activities do not harm the environment in the long run.

Corporate Responsibility Report

INTRODUCTION

At Salcon, we firmly believe that our corporate responsibility (CR) efforts are a positive driver for change and an opportunity to create value for our shareholders and all stakeholders. Through our CR strategies, we are able to position our brand, mitigate potential risks, reduce cost, understand our client's needs and address our stakeholders' concerns as well as identify potential opportunities.

We have taken steps to embed our CR strategies into our mission and core values to create a sustainable growth for the Group. We constantly seek to operate our business in an environmentally and socially responsible manner in line with high standards of ethics which are fundamental to our beliefs. Equally, care and protection of the environment is accorded priority.

In this report, we highlight the economic and social dimension as well as environmental performance during FYE 2014 which will be discussed under four categories i.e. Marketplace, Workplace, Environment and Community.

Creating Sustainable Development through Quality Stakeholder Engagement

We see stakeholder engagement as a vital and effective strategy for sustainable development. Through comprehensive stakeholder engagement via our CR activities/programmes, we are able to understand varying views, manage our business risks and form strategic partnerships.

We identify our stakeholders and develop various methods in engaging them as well as obtaining their feedback on our performance. The appropriate feedback will be incorporated into our planning. The variety of medium used to engage our stakeholders includes meetings, satisfaction surveys, trainings, community out-reach programmes and site visits.

Datuk Seri Dr. Maximus Johnity Ongkili, Minister of Energy, Green Technology & Water, cutting a cake to celebrate the Group's 40th anniversary during the Asiawater Exhibiton and Conference 2014

Corporate Responsibility Report
(cont'd)

Our current stakeholder engagement pathway is shown in the table below:

Stakeholder Group	Types of Engagement	Frequency	Benefits/Outcome
Employees	- e-CR (email on CR activities which involve employees participation) - Spotlight (blog serve as internal newsletter) - Employees Improvement Programme - Performance review - Family day - Sports tournament - Annual trip - Safety and Health Campaign Month	As needed As needed As needed Yearly Yearly Yearly Yearly Yearly	Skills development, career development, employee communication, performance tracking
Investors	- Annual General Meeting - Analyst/Bankers meeting	Yearly As needed	General interest in business direction/ strategies
Clients	- Clients satisfaction survey	Yearly	Evaluate deliverability of jobs and identify areas of improvement
Regulators/ Government Authorities	- Compliance with Bursa Malaysia and all other relevant regulatory requirements	As needed	Create reputable and credible brand
Media/Press	- Media releases - Media visit	As needed 3 times a year	Reach out to public on company's future aspirations and promote publicity
Local Community	- Donation/sponsorship - River & Water Awareness Educational Programme - Train the Trainers Programme (to train teachers and public to be the facilitators in River & Water Awareness Educational Programme) - Blood donation Campaign	As needed Bi-monthly Yearly Yearly	Build positive relationship with local community through constructive efforts
Suppliers/ Sub-contractors	- Supplier/Sub-contractors evaluation	Yearly	Procurement policy helps to reduce risk and improve efficiency throughout the supply chain
Business Partners	- Issues meetings/strategies planning	As needed	Identify emerging issues and affect business planning
Non-Governmental Organisations	- Joint projects on CR events	As needed	Promote mutual understanding on environmental or local society issues to protect the environment

Details on our stakeholder engagement approaches are covered in other sections of this report under Marketplace, Workplace, Environment and Community categories.

Corporate Responsibility Report
(cont'd)

MARKETPLACE

We strive to create long-term values for all our stakeholders by adopting the highest standards of corporate governance into our business and delivering excellent economic performance whilst upholding socially and environmentally responsible actions in our operation. This is to ensure that the Group grows profitably in a sustainable manner.

Commitment to Our Shareholders – Economic Data (Group Level)

Description		**2012 (RM'000) (restated)**	**2013 (RM'000)**	**2014 (RM'000)**
Revenue		182,146	164,612	194,465
Other income and interest income		51,692	96,157	55,867
Gross Value Generated		**233,838**	**260,769**	**250,332**
Our suppliers	: Operation costs	(174,302)	(174,019)	(187,664)
Our employees	: Salaries and benefits	(23,685)	(26,049)	(22,271)
Our lenders	: Payment to lenders (financial cost)	(5,772)	(7,281)	(1,928)
The Government	: Payment to Government	(1,951)	1,077	(3,742)
The Rakyat	: Community Investments	(149)	(93)	(190)
Net-value added		**27,979**	**54,404**	**34,537**
Our shareholders	: Payment to shareholders	(7,826)	(5,393)	(20,230)
Our Future: Economic Value Retained		**20,153**	**49,011**	**14,307**

During FYE 2014, The Group recorded gross economic value of RM250.3 million, a slight decrease of 4% compared to the previous year due to lower profit from the discontinued China concessions.

The Group remains profitable with RM34.5 million net-value added and rewarded the shareholders with a dividend payment of RM20.2 million.

Global Reach – Revenue by Region

Countries	**2012 (RM'000) (restated)**	**2013 (RM'000)**	**2014 (RM'000)**
Malaysia	156,415	139,063	134,864
Vietnam	1,136	-	28,388
China	7,143	-	-
Sri Lanka	5,779	16,595	22,567
Others	11,673	8,954	8,646
Total	**182,146**	**164,612**	**194,465**

Corporate Responsibility Report
(cont'd)

Commitment to Our Supply Chain

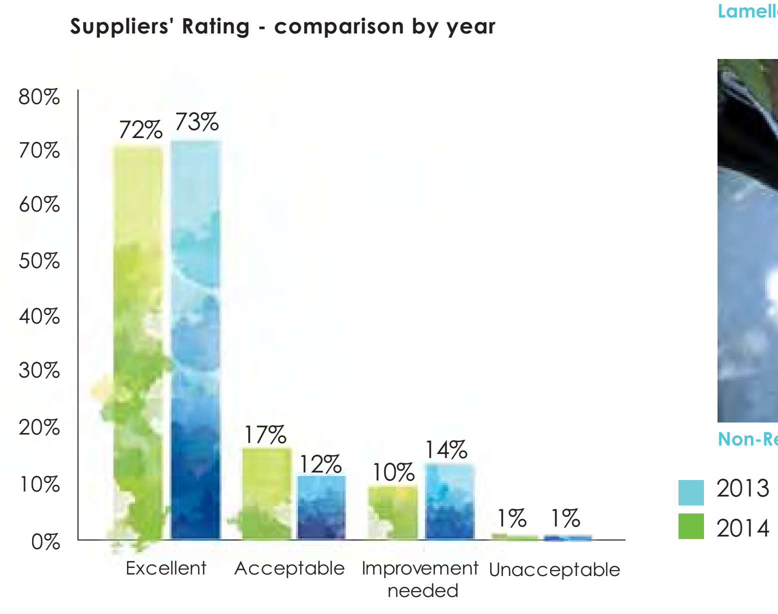
Integrating CR practices into the procurement management system helps us to improve quality, mitigate risks and reduce environmental impact on our services. Hence, creating more value to the business and to our clients.

Responsible and Reliable. We identify suppliers/sub-contractors who can meet our procurement criteria. This is to ensure that only quality products/services are being used for our projects. The top 3 criterias we focus on in choosing our suppliers are: ability to meet our specifications/requirements, ability to meet our delivery requirement as well as offering competitive pricing and terms.

Setting Clear Expectations. We educate and share our business values with our suppliers/sub-contractors in our business operations. Suppliers/sub-contractors are required to comply and adhere to the practices and standards as set out in Company's ISO 9001 Project Quality Manual, ISO 14001 Environmental Manual and OSHAS 18001 Manual.

Should the suppliers/sub-contractors fail to meet our requirements, we will penalize or terminate them in order to ensure quality services/products to our clients.

Supplier Evaluations. We conduct evaluations on our suppliers' performance on an annual basis. In FYE 2014, 73% of a total of 156 suppliers achieved Excellent grade in their performance, compared to 72% in the previous year.



We adopt the highest standards of corporate governance into our business and deliver excellent economic performance

Lamella clarifier system installation in Lao, PDR

Non-Revenue Water (NRW) works in Kudat, Sandakan

Corporate Responsibility Report
(cont'd)

Commitment to Our Clients

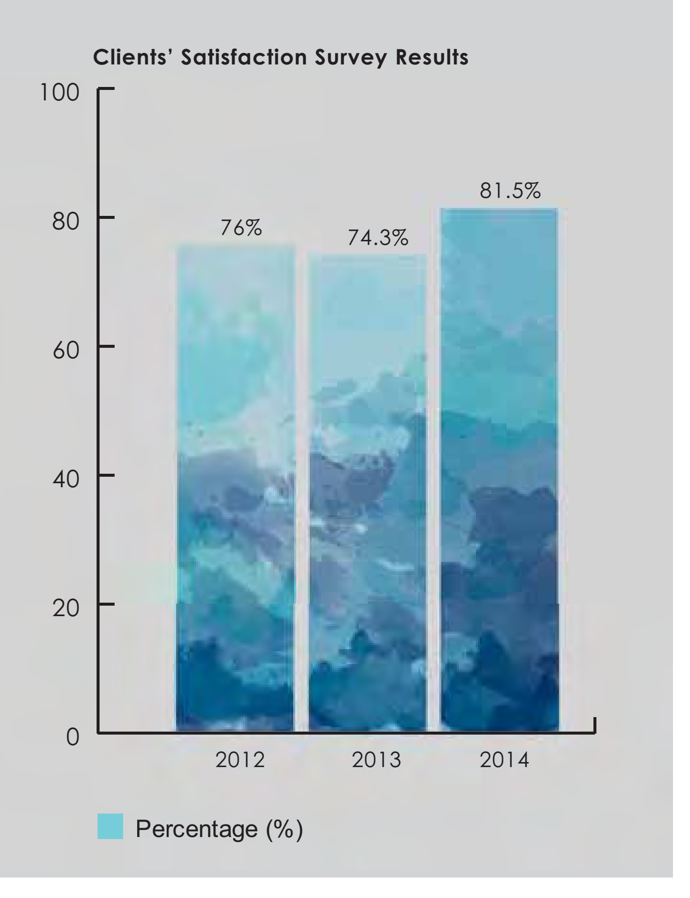
Clients' satisfaction survey. Clients' satisfaction and feedback reflect the quality of our services. We conduct clients' satisfaction surveys annually to review our performance in order to identify any shortfalls and to improve our services, where necessary.

In FYE 2014, we have conducted satisfaction surveys on our project sites such as, Klang Package B26, Klang Package D55, and Sri Lanka Kalu Ganga WTP projects.

On the average we were given a rating of 74.3% and 81.5% for FYE 2013 and FYE 2014 respectively. Feedback on the projects are then channeled to the respective project managers as well as top management so that clients' concerns can be addressed accordingly.

Networking with stakeholders to enhance relationship and listen to their feedback on our performance

Salcon was awarded 'IEM Award for its contribution to the engineering industry in Malaysia 2015' by The Institution of Engineers Malaysia



Corporate Responsibility Report (cont'd)

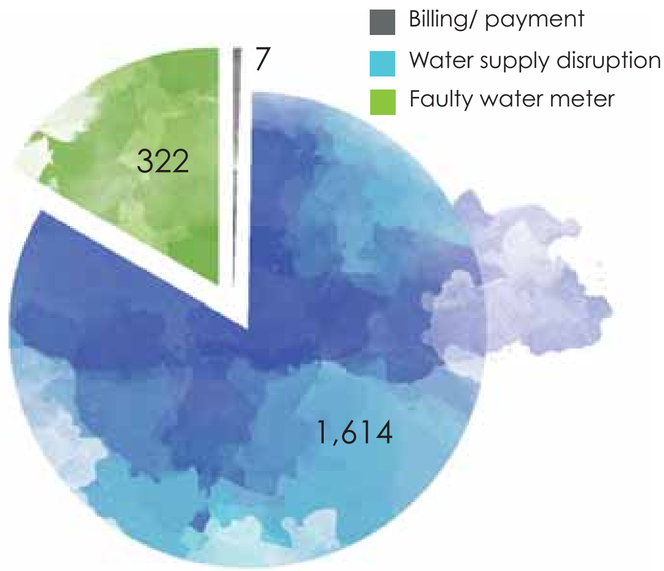
Customer Service. We are committed to continue our efforts in serving our customers better. We have a Customer Service Centre in Sandakan, Malaysia to handle billing or payment matters and attend to customers' complaints through phone or hotline by well-trained and helpful officers. We have 3 counters with 4 staff to attend to customers' enquiry/complaint or requirement on weekdays during office hours and half day on Saturdays.

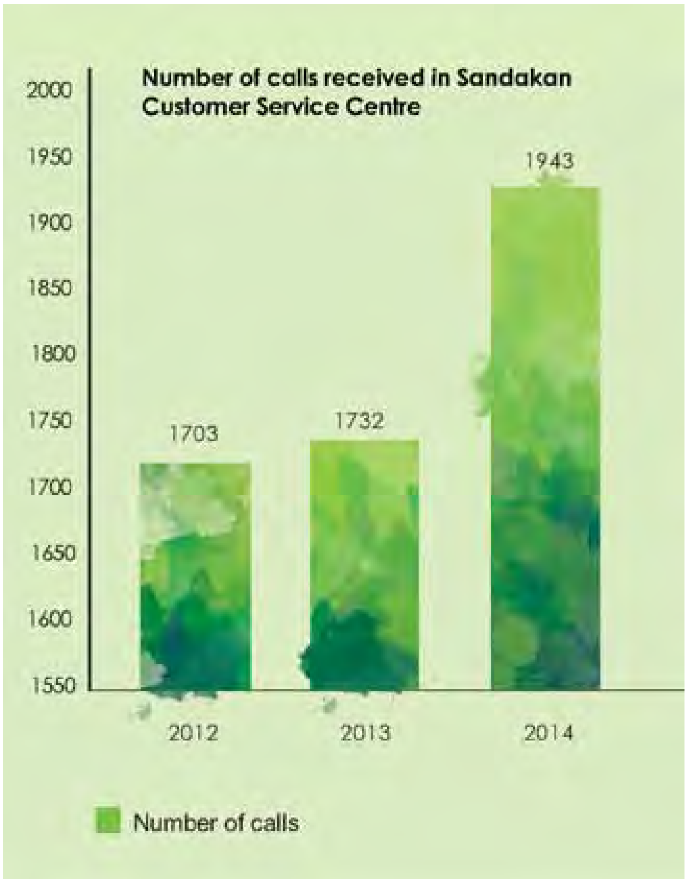
Customer Service Centre in Sandakan, Malaysia

Timely Response. In FYE 2014, the Sandakan Customer Service Centre received a total of 1,943 calls, a 12% increase compared with the previous year. Although the number of calls have increased, our well-trained customer service team were able to handle each call within 3 to 5 minutes, meeting their KPI in the amount of time for handling such calls.

Complaints regarding water supply problems, faulty water meters, disconnections or other rectification related works were conveyed to Jabatan Air Sandakan for further investigation.

Types of calls received in FYE 2014:





Communicating with Stakeholders

Several medium of communications have been used to engage with our stakeholders such as via the corporate website, Facebook page, newsletter and related corporate events. Besides getting feedback from our stakeholders, we also use these channels to update our stakeholders on the Group's progress, announcements and activities.

Corporate Website. We update the information in our website on a regular and timely basis. We also allow interested public to subscribe to the Group's Investor Relations Update so that push mails are sent to them whenever the Group makes an announcement to Bursa Malaysia. A dedicated investor relations personnel together with personal email address is provided on the investor relations portal on the Group's corporate website to enable our stakeholder to voice their concerns/issues or comment directly to the Group. We launched a newly designed corporate website, www.salcon.com.my, early this year to align with the business direction and keep up with the available technology so that it is compatible with various browsers and hence, more user friendly.

Corporate Responsibility Report
(cont'd)

Social Media. In terms of social media, we communicate with our stakeholders via the Group's Facebook page (www.facebook.com/SalconBerhad) to keep stakeholders informed about our corporate events/corporate announcement or community events.

Corporate Functions. Functions such as Annual General Meeting, networking dinner/luncheon, festive visits and delegation visits are effective platforms for the management to listen to the feedback from our various stakeholders on our performance/strategies and improve to meet their needs. Some of the notable functions held in 2014 include:

Event / Activities	Date
Delegation visit to Tri An Dam, Binh An, Vietnam	22 Jan 2014
Annual General Meeting	26 Jun 2014
Residents briefing on Package D55 Project, Klang	13 Dec 2014
Analysts briefing	As needed
Festive visits to press:	
• Chinese New Year	22 Jan 2014
• Christmas and New Year	17 Dec 2014

Risk Management

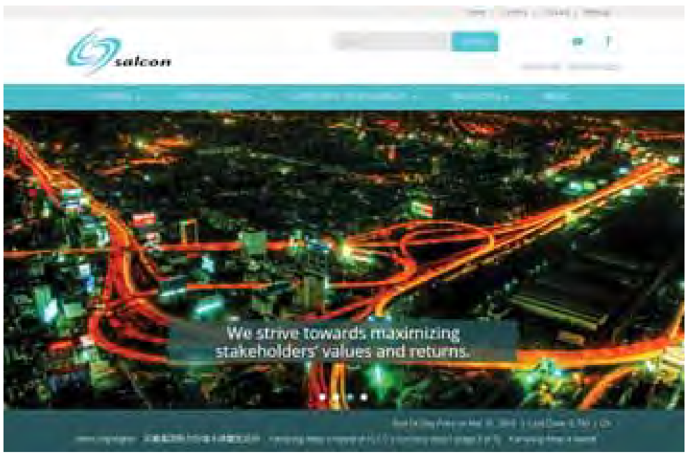
Risk Management Committee. In order to safeguard shareholders' investments and our facilities as well as ensure safety of our personnel, the Group has established a Risk Management Committee to provide oversight function in the implementation and enforcement of the risk management process. The Group's Risk Management Framework is outlined in its Integrated Risk Management Policy.

The Internal Audit and Risk Management Department works closely and report to the Risk Management Committee on risk control. It is crucial to identify potential risks and mitigate them so that they will not adversely affect our achievement and results.

The type of risks that the Group faces include:

1. Macro-economic risks such as inflation, slower economic growth, recession, higher taxation
2. Political risks such as uncertainties of political situation
3. Disaster risks such as natural disaster which affect operations
4. Corporate risks such as corporate governance, financial structure, legal and regulatory, compliance

When the Group plans to venture into a new investment such as mergers and acquisitions, we will evaluate each proposal by conducting assessment and due diligence from various aspects to identify the potential environmental, governance, financial and social risks.



A more user friendly corporate website


Project team conducting residents briefing on project works affecting their area for project D55-Klang

Corporate Responsibility Report
(cont'd)

WORKPLACE

Salcon is known for its excellent track record in engineering services. However, it is the people behind these engineering services who are the ones who have brought the Group to where it is today. Our employees are our greatest and most valuable asset. We are committed to create a safe and healthy working environment and to provide a conducive work-life balance for the overall well-being of our employees.

Workforce Talent and Diversity

In FYE 2014, Salcon has a total of 288 employees, slightly lesser compared to the previous year of 320 employees. This is due to the departure of some contract staff from our Seremban Telemetry site when their contract expired.

Breakdown of Number of Employees by Countries

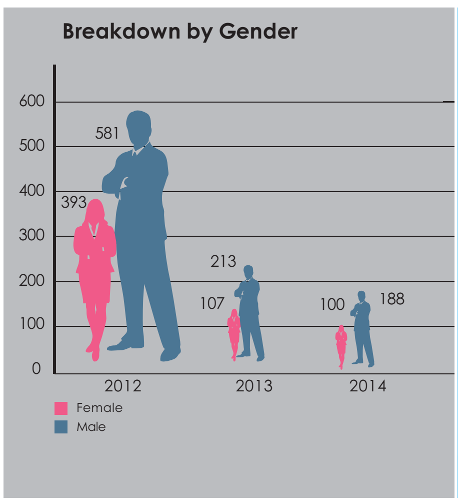
Country	No. of Employee
Malaysia	242
Thailand	2
Sri Lanka	16
Vietnam	19
India	8
Indonesia	1

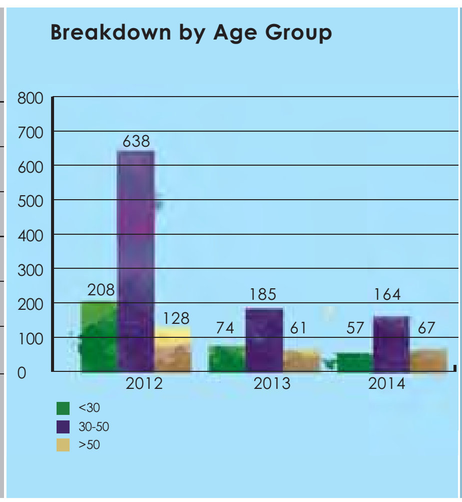
Building Multicultural Awareness. At Salcon, we promote multicultural awareness by recruiting employees of all races. We create a respectful working environment and encourage employees to connect with one another via our activities such as Family Day as we think that differences in culture or religion and gender should not cause disharmony in the workplace.

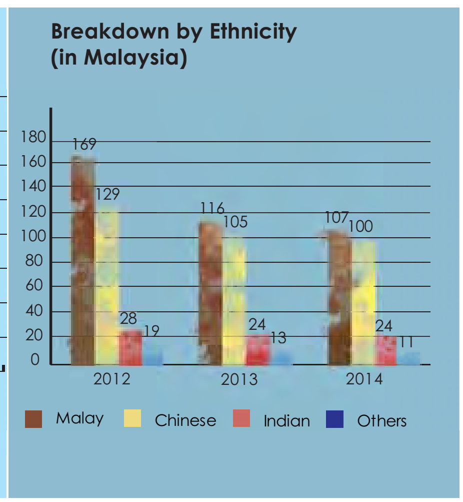
We are committed to create a safe and healthy working environment and to provide a conducive work-life balance for the overall well-being of our employees

Salcon promotes multicultural awareness among diverse workforce

Staff Diversity







Corporate Responsibility Report
(cont'd)

Annual General Meeting is one of the channel Salcon engages with the shareholders

Visionary Board Directors. The Group is currently led by 6 directors who have in-depth experience in business management, with the necessary mix of skills and competency including engineering and construction industries. Our directors' leadership and guidance steer the Group through numerous notable achievements, both locally and overseas. For the details of our board of directors, kindly refer to Profile of Directors on pages 14 to 19.

Equal Opportunity. It is our policy to ensure that equal opportunities are given to all employees of Salcon regardless of religion or gender. We maintain a respectful working environment which is welcoming and engaging as we view this as an important element for high productivity. Male and female employees are entitled for an equally fair compensation package that commensurates to their exposure and responsibilities. The ratio of men versus women salary is maintained at 1:1 over the years.

We maintain a respectful working environment which is welcoming and engaging as we view this as an important element for high productivity

Board of Directors Diversity

Breakdown by Gender

	2012	2013	2014
Male	6	6	6
Female	-	-	-

Breakdown by Age Group

	2012	2013	2014
<30	-	-	-
30-50	-	-	-
>50	6	6	6

Breakdown by Ethnicity

	2012	2013	2014
Malay	1	1	1
Chinese	5	5	5
Indian	-	-	-
Others	-	-	-

Corporate Responsibility Report (cont'd)

Training opportunities are provided to enhance employees' skill and improve their knowledge

Salcon spent **20%** more in training expenditure, compared to the previous year

Career Growth and Development

We set key performance indexes to ensure that employees are clear on what is expected of them. While we need our employees to work towards delivering excellent results for the Company, we are mindful of their career development and encourage them to grow together with the Company.

We utilize a combination of approaches to assist our employees to reach higher milestones in their career. These include providing training, conducting annual performance review as well as offering competitive rewards and benefits to retain talents.

Trainings. Training opportunities are provided to employees to enhance their skills and improve their knowledge.

In FYE 2014, the Group invested RM106,315 in training expenditure in local operation offices, 20% more than the previous year. 69% of employees of the Group from different categories attended the various trainings.

Types of training our employees attended:

Types of training	No. of training	Example
Personal and leadership development	6	- Board Chairman Series: The Role of the Chairman - The Essential Skills Workshop: Negotiation and Influence
Positive mindset	1	- Being an Ethical Corporate Driver
Functional/Knowledge	49	- Handle a Full Set of Accounts - Risk Management and Internal Control Workshops for Audit Committee Members
Supplementary Knowledge	18	- Asia Water 2014 Conference - MIA Conference 2014

Annual Performance Review. Employees conduct annual performance reviews with their superior or manager annually to review and discuss their performance. We view this conversation as an opportunity to recognize excellence, discuss and analyze individual and departmental growth.

Attractive Rewards and Benefits. The Group offers competitive rewards and benefits to our employees to attract and retain them. Some of the material benefits include ESOS, annual bonuses, free annual medical check-up for management level staff, car loan subsidy scheme, life and medical insurance coverage.

Corporate Responsibility Report
(cont'd)

Creating a Safe Workplace

Being an engineering company, we place safety as our top priority at our offices and project sites. We are guided by the Group's Safety and Health Policy as well as Environmental Policy to ensure that our operations are in line with the safety guidelines in order to protect the health and safety of our employees, sub-contractors' and the general public.

Safety, Health and Environment Committee.

The Safety, Health and Environment (SHE) Committee is formed to ensure that the Group's occupational health and safety management system and environment management system are being conveyed and complied with at all levels. Every department has appointed their own representative in the SHE Committee to highlight safety, health and environmental issues on behalf of their respective departments.

The SHE Committee is responsible to cultivate a safe workplace culture internally and externally. The Committee organizes an annual SHE Campaign month, conducts fire drill, disseminates monthly bulletin on safety and health issues and conducts quarterly inspections at the office. Externally, the SHE Committee provides training for our sub-contractors such as safety induction, toolbox briefing and first aid training.

The Committee organizes an annual SHE Campaign month, conducts fire drill, disseminates monthly bulletin on safety and health issues and conducts quarterly inspections at the office

Outcome of SHE activities:

SHE activities' consequences	Result/Outcome
Findings being acted upon after inspection	100% of findings were being acted upon
Lower number of Non Compliance Report (NCR)	2 NCRs reported in FYE 2014 compared to 4 and 3 in FYE 2013 and FYE 2012 respectively
Better achievement in man hours with zero Loss Time Injury (LTI)	Achieved 8.4 million man hours with zero LTI in FYE 2014 compared with 8.0 million in the previous year
Better result in fire drill	Employees gave better response in fire drill and were evacuated within 10 minutes

Annual fire drill is conducted to instill sense of office building safety

Corporate Responsibility Report (cont'd)

Working Towards Zero LTI. As at FYE 2014, we have achieved an accumulated 8.4 million (85.9%) man hours with zero LTI since Dec 2010 against a target of 10 million man hours.

Some safety initiatives by some of our project sites:

SHE activities' consequences	Result/Outcome
Binh An Water Treatment Plant, Vietnam	OHSAS Campaign – Labour Safety and Hygiene Week
Kalu Ganga Water Treatment Plant, Sri Lanka	Weekly tools box talk with labour, monthly safety audit with employer and consultant as well as monthly site major cleaning in addition to daily house keeping
Langat 2 Water Treatment Plant, Malaysia	Safety induction to all employees as soon as they are deployed to the site, weekly tool box meetings for office staff, daily tool box meetings to workers before starting work for the day

Annual trip to Danang & Hoi An, Vietnam

Family Day at i-City, Shah Alam

Promoting a Work-Life Balance Lifestyle

The Group is committed to foster a good balance between work and personal life. We believe promoting appropriate work-life balance programmes not only increases productivity, but have a positive impact on employees in terms of recruitment, retention/turnover, commitment and satisfaction, absenteeism, productivity and accident rates.

Salcon Recreational Club. The Group has invested RM117,103 in Salcon Recreational Club (SRC) to offer recreational activities to employees and their family.

Activities organized by SRC in FYE 2014:

1. Weekly badminton session
2. Weekly yoga session
3. Fortnightly bowling session
4. Family day to i-City, Shah Alam
5. Annual dinner
6. Sports tournament
7. Company trip to Danang, Vietnam

Staff Improvement Programme. The Corporate Affairs Department organizes various activities for employees with the objective of promoting a healthy lifestyle at the workplace. Activities under our Staff Improvement Programme include Stairwalk Programme to promote advantages of using staircases instead of lifts, health talks such as Fitness Talk by Fitness First and Mental Talk by The Malaysian Mental Health Association.

Health awareness activities are conducted regularly

Corporate Responsibility Report
(cont'd)

ENVIRONMENT

We strive to continuously improve energy efficiency, reduce emissions and conserve precious resources through our operations to minimize our environmental footprint. We ensure our business operations comply with the Environmental Management Standards ISO 14001 and promote responsible usage of our resources. For instance, we closely monitor the Langat 2 Water Treatment Plant project site to ensure no surface run-off pollution to the Sungai Langat which flows along the northern perimeter of the work site. Silt traps were constructed according to the Erosion and Sediment Control Plan (ESCP) requirement and constantly maintained to ensure proper function.

Water Management

Proper water management can help to minimize water wastage in our operation and keep our cost low. As an engineering service provider, we ensure that we apply best practices in efficient water management system while looking for opportunities to reduce water consumption.

Wastewater generated from the construction activities are discharged to rivers nearby after being settled at silt trap. At Binh An Water Treatment Plant, Vietnam, actions taken to reduce water consumption include conducting backwash on filter when the water level in filter is low to save on water consumed.

Binh An Water Treatment Plant in Ho Chi Minh City, Vietnam with total capacity of 100 Million Litres Per Day (MLD)

We strive to continuously improve energy efficiency, reduce emissions and conserve precious resources

Construction site of Langat 2 Water Treatment Plant project with 1,130 MLD capacity

Energy Management

Energy conservation awareness is implemented throughout the company and project sites. At project site, we have executed some methods to reduce energy consumption such as compliance of Energy Conservation Policy at Binh An Water Treatment Plant, Vietnam and timely maintenance of plant facilities and machines to ensure efficiency and encourage early detection of damage.

Besides this, we collaborate with local authorities or non-governmental organizations in promoting environmental conservation. Meanwhile employees are constantly reminded to conserve energy at the workplace and beyond.

Waste Management

We handle waste management in a responsible manner to reduce negative environmental impacts.

Non scheduled waste such as general waste were contracted to be collected and treated by the council waste disposal contractor. Scheduled waste such as motor oil and other lubricants were collected in steel containers and taken off the site by scheduled waste disposal subcontractors.

Corporate Responsibility Report (cont'd)

Dust Management

Dust pollution can create a severe impact to the environment as well as the residents involved. We strive to implement effective dust control to ensure our operation does not create any inconvenience to the habitat or the people.

At our Kalu Ganga Water Treatment Plant in Sri Lanka, we conduct dust control by spraying water or covering dusty working areas with wet gunny sacks and silt trap for solid sedimentation before discharging wastewater to drainage or river.

Kandana Water Treatment Plant extension under the Kalu Ganga Water Supply Project in Sri Lanka

Salcon River & Water Awareness Education Programme

Salcon sees education as an effective approach to water conservation especially to the future generations. Thus the Group has been organizing the River & Water Awareness Education Programme to primary school students since 2010 to cultivate a sense of responsibility in protecting our precious natural resources among students. We have also extended the programme into Train the Trainers Programme to ensure the sustainability of our advocacy. For more details about the programme, kindly refer to Community section of this report.

Salcon River & Water Awareness Education Programme creates awareness among children to conserve the precious water resources

Recycling Campaign

We constantly remind our employees to help to care for the Planet by cultivating a recycle or reuse habit. We collaborate with Pertubuhan Amal Seri Sinar to conduct an annual spring cleaning and recycling campaign to encourage employees to contribute their unwanted but reusable and recyclable items such as paper, plastic, clothing, glass, electrical items and furniture. Besides, our headquarters, our site offices also recycle paper frequently. 1,500 kg of paper were recycled in FYE 2014 throughout HQ, Package D55 Klang and Binh An Water Treatment Plant, Vietnam offices.

1,500 kg of paper were recycled in FYE 2014

Corporate Responsibility Report
(cont'd)

COMMUNITY

We recognize the importance of the symbiotic relationship between ourselves and community members in the areas where we operate in. Cultivating a positive relationship not only help to improve lives of the society we live in, but also provide us an opportunity to listen to our stakeholders on the impact of our operations and subsequently to improve, where necessary.

Salcon engages the community through philanthropic support and education. We hope our contributions will help to ease the burden of the underprivileged as well as inspire our future generation on caring for those who are in need.

Salcon supported Limbs for Life Prosthesis Centre through their fund raising event

We recognize the importance of the symbiotic relationship between ourselves and community members in the areas where we operate in

Terry Fox Run for cancer reserach fund raising in Vietnam

Charitable Giving

We are guided by our Donations and Sponsorship Funding Guidelines in supporting the underprivileged group and environmental activities.

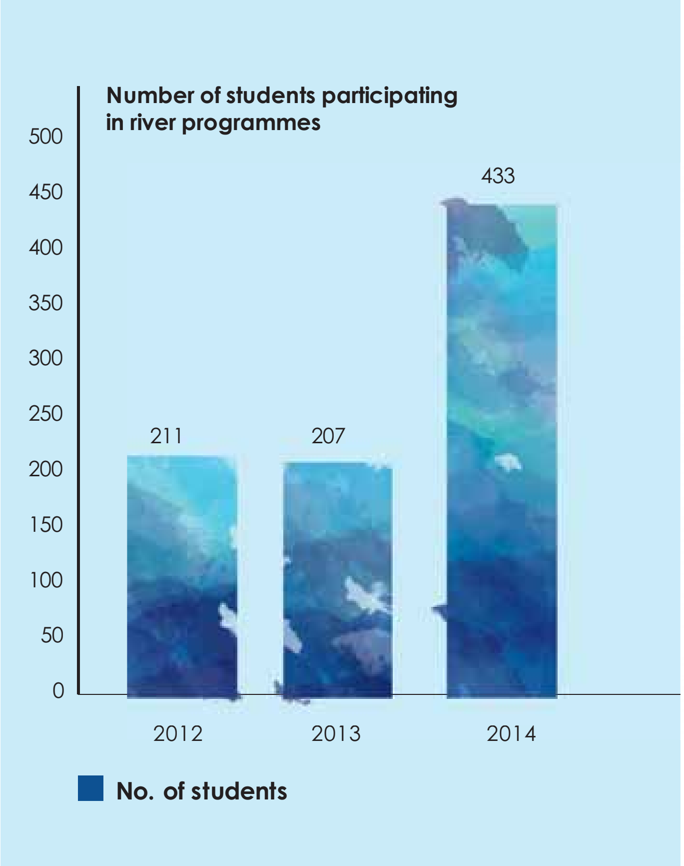
We have contributed RM189,596 in FYE 2014, to 7 organizations and 1 individual, involving more than 275 people. Some of the organizations we supported through their fund raising events include Limbs for Life Prosthesis Centre for amputees in Malaysia, Persatuan Kanak-Kanak Istimewa Kajang for special children in Malaysia and Terry Fox Foundation for cancer research in Vietnam. Besides financial aid, we also provide support in kind to the needy. At our Binh An, Vietnam office, we have given gifts to poor families at Binh Thang Ward to help to ease their burden.

Salcon River & Water Awareness Education Programme creates awareness among children to conserve the precious water resources

Educating to Create Awareness

Salcon River & Water Awareness Education Programme. We advocate environmental conservation in a sustainable manner to inspire the future generation. We collaborate with non-government organization Water Watch Penang (WWP) to organize the Salcon River & Water Awareness Education Programme for primary schools students and have successfully conducted the programme since 2010, benefitting more than 30 schools and 900 children.

Corporate Responsibility Report (cont'd)



The programme is focused on cultivating a sense of responsibility amongst students in conserving our precious natural resources especially water resources. Through the programme, students learn to conduct physical, chemical and biological experiment on river water using water monitoring kits and identify the health of water through the result of their experiments.

We are proud that this programme has been awarded two regional CSR awards i.e. Asia-Pacific Enterprises Leadership Awards - Educational Service Award and Asia Responsible Entrepreneurship Awards 2013 Southeast Asia - Green Leadership Award.

Offering Volunteering Opportunity

Training of Trainers (TOT) Programme. Even a small drop can make ripples in the water. As we hope to extend the benefits of The Salcon River & Water Awareness Education Programme to reach out to more students, we conducted the Training of Trainers (TOT) Programme, a skill-based volunteering programme offered to the school teachers and public. During the half day programme, teachers and volunteers learn how to be facilitators so that they can conduct their own river awareness programme for their respective schools or be a volunteer for any of Salcon's river programme.

Through the programme, students learn to conduct physical, chemical and biological experiment on river water using water monitoring kits

Salcon River & Water Awareness Education Programme creates awareness among children to conserve the precious water resources

Corporate Responsibility Report
(cont'd)

Successful Outcome. The successful implementation of the TOT programme is reflected on the result of number of river programmes conducted by the school itself. During FYE 2014, SJKC Chen Moh, Petaling Jaya and SJKT Puchong successfully conducted 4 and 1 river programmes respectively by themselves under the guidance of their teachers who were trained during our 2013 TOT programme. This translates to reaching out to another 210 students besides the existing Salcon river programme. We have sponsored a full set of water monitoring kit to SJKC Chen Moh for their future activities.

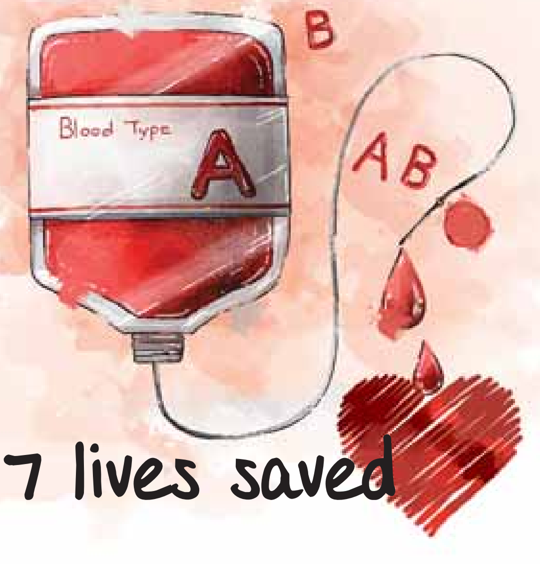
Following the success of the first TOT programme, Salcon has once again organized a second TOT programme in FYE 2014 and 11 teachers from 3 schools and 7 public participated to learn how to be facilitators. The schools involved were: SK Bandar Behrang 2020, Perak, SK Tasik Puteri 2, Selangor and SK Sg. Renggam, Selangor.

Blood Donation Campaign. Besides conducting CR activities externally to our community, we promote commitment from our employees in contributing or helping the society. Through our annual blood donation campaign which was held in conjunction with The Salcon Safety, Health and Environmental Month, we encouraged our employees to donate blood together with the public. With the support of Pusat Darah Negara, the whole day event has successfully registered a total of 93 people from public as well as Salcon employees for the donation drive.

Teachers of SK Bandar Behrang, Perak conducted their own River Programme to their own students after attending to the TOT programme

Annual Salcon Blood Donation Campaign

69 pint of blood collected



207 lives saved

CONCLUSION

Throughout 2014, Salcon continued to deliver sustainability in four key areas which are maintaining profitable financial returns, nurturing our people, committing to greener operations and improving the quality of life of our communities.

Going forward, the Group will continue to focus on generating more value to our stakeholders via more effective stakeholder engagement activities/approaches in the execution of our corporate responsibility strategies.

Corporate Governance Statement

The Board of Directors ("the Board") of SALCON BERHAD ("Salcon") continues to uphold its commitment to the highest standard of corporate governance in managing the affairs of the Company and its subsidiaries ("the Group") guided by the Principles and Recommendations of the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012"). This statement describes how the Group has applied the Principles and Recommendations of the MCCG 2012 throughout the financial year ended 31 December 2014. The reasons for non-observance of the Recommendations of 3.2 and 3.5 in the MCCG 2012 during the financial year under review are included in this Statement.

1. Establish clear roles and responsibilities

1.1. Clear functions of the Board and Management

The Board is responsible for strategy planning, oversight and overall management of the Group. To ensure the Board members are aware of their duties and responsibilities, the Board had established a governance model via the Board Charter which sets out the roles, composition and responsibilities of the Board. The Board has also delegated specific matters to various Board Committees which operates within their respective approved Terms of References.

The Chief Operating Officer ("COO") had been delegated to oversee and support the day-to-day operations and is responsible for the achievement of the Group's mission, goals and objectives.

1.2. Clear roles and responsibilities

The Board assumes, amongst others, the following responsibilities:

a. Reviewing and adopting a strategic plan for the Company

The Board plays a vital role in developing a strategic plan for the Company. The Management presents its recommended strategy and business plans to the Board for review and decision.

In 2014, while the Company continued to focus on improving market penetration of the Company's core businesses of water and wastewater systems and management, the Company had diversified into property development and technology services. During the financial year under review, the company had acquired 200,001 ordinary shares of RM1.00 each, representing 50.0001% of the paid-up capital in Volksbahn Technologies Sdn. Bhd. ("VBT"), a company which provides integrated fibre optic network services and other ancillary businesses by leveraging on fibre optic infrastructure. VBT had entered into a fifteen (15) years exclusive concession and right of way with Prasarana to lay 108km of fibre optic on monorails and LRT tracks in Klang Valley. Such diversifications are to mitigate and offset volatility in Company's core businesses. The Board is confident that the diversified range of business activities will further enhance and improve on the Group's financial position and stability.

b. Overseeing the conduct of the Company's business

The COO is responsible to oversee the daily management of the Company's businesses and operations. The COO is assisted by the various divisional heads in monitoring daily activities. The COO is further supported by the Management and other Committees established within the Company's management framework.

The performance of the Management is monitored and assessed by the Board through status reports which are tabled to the Board on a periodic basis. These reports include a comprehensive summary of business operations and financial performance. The Board is also kept informed of key strategic initiatives and operational issues within the Group.

c. Identifying principal business risks and ensuring the implementation of appropriate systems to manage risks

A Risk Management Committee ("RMC") has been established by the Board to oversee the Enterprise Risk Management ("ERM") framework of the Company. The RMC reviews and identifies areas of potential high risks faced by the Company and advises the Audit Committee ("AC") in establishing adequate compliance and controls over the Company. The RMC also reviews risk management policies and makes recommendations to the Board for approval. Details on the RMC and the Company's ERM framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Corporate Governance Statement
(cont'd)

d. Succession planning

The Board has entrusted the Nomination Committee ("NC") with the responsibility to ensure an appropriate framework and plan for succession within the Group are in place. The Board has also entrusted the COO with the responsibility to evaluate potential candidates and determine compensation packages for the key management positions.

e. Overseeing the development and implementation of a shareholder communication policy for the Group

The Group emphasizes the importance of communication with shareholders and all stakeholders of the Company. Adequate communication generates and builds public confidence towards the Company.

The Company, through the Corporate Affairs Department ("CAD"), conducts Investor Relationship ("IR") activities as indicated in the Company's website detailing and giving various information including the Chairman's Message, Financial Information, announcements to Bursa Malaysia Securities Berhad ("Bursa Securities"), Corporate Governance, Stock Information and Information Request which includes email alerts and IR contact details.

f. Reviewing the adequacy and integrity of management information and internal controls system of the Company

The Board has to ensure that there is a sound framework of reporting on internal controls and regulatory compliance. Details relating to the internal control system and review of its effectiveness are available in the Statement on Risk Management and Internal Control as set out on pages 73 to 74 of this Annual Report.

1.3. Code of Ethics and Conduct

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") which reflects the Group's vision and mission. The Board expects the behaviors of all employees, officers and directors are adhered to a high standard of ethics and to comply with all laws and regulations that govern the Group's businesses. The Board aims to promote an atmosphere in which ethical behavior is well recognized as a priority and practiced and to treat all persons fairly regardless of race, religion, gender, disability and age.

In addition, a Whistle-blowing Policy had been established in 2012 to encourage the Group's employees and stakeholders to report any wrongdoing on the part of employees, management, directors and vendors in particular with respect to their obligations to the Group's interest without any fear of repercussions. Any suspected wrongdoing could be reported to the Chairman of the AC via a phone line, fax and email address.

These COEC and Whistle-blowing Policy demonstrate the Board's commitment to integrity, transparency and good corporate governance practices in the Group. The COEC and Whistle-blowing Policy are available on the Company's website, www.salcon.com.my.

1.4. Strategies promoting sustainability

The Board recognises the importance of sustainability in everything Salcon does. The Board promotes the application of sustainability practices for the Group through environmental and social activities organised by the Company's CAD.

Details of the activities that had been organised in 2014 are presented in the Corporate Responsibility Report on pages 34 to 50 of this Annual Report.

Corporate Governance Statement (cont'd)

1.5. Access to information and advice

Board meetings are organised with a pre-set agenda, providing the Directors with relevant and timely information to enable them to discharge their fiduciary duties and responsibilities. Board papers which provide updates on operational, financial and corporate developments are circulated in sufficient time to enable Directors to obtain further explanation, where necessary, to facilitate informed decision-making.

Senior Management officers and/or external advisers may be invited to attend Board meetings when necessary, to furnish the Board with explanations and comments on the relevant agenda items tabled at the Board meetings or to clarify on any issue raised by the members of the Board.

Directors have access to all information within the Group and direct access to the advice and services of the Company Secretary, whether as a full Board or in their individual capacity. In addition, Directors are also empowered to seek external and independent professional advice at the Company's expense, in the exercise of their duties and responsibilities, should such advisory services be considered necessary.

1.6. Qualified and Competent Company Secretaries

The Company Secretaries (CS) have rendered necessary advisory services to the Board in relation to the Company's formation, compliances to local regulatory requirements, codes, guidelines and relevant legislation.

The Board is regularly updated and apprised by the CS who are experienced, competent and knowledgeable, on new and updated statutes and directives issued by the regulatory authorities. The CS oversee adherence with board policies and procedures, briefing the Board on the proposed contents and timing of material announcements to be made to regulators. The CS also serve notice to the Directors and Principal Officers to notify them of closed periods for trading in Salcon's shares pursuant to Chapter 14 of the Bursa Securities Main Market Listing Requirements.

The CS work closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management. The key role of the CS is to provide advice and services to the Directors as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.

1.7. Board Charter

The Board Charter is to promote high standards of corporate governance and is designed to provide guidance and clarity to Directors and Management with regards to the roles and responsibilities of the Board and its committees, the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the processes and procedures for convening Board/Committee meetings.

The Board Charter is reviewed, as and when necessary, to update with changes in regulatory requirements and best practices in the market thereby ensuring its effectiveness and relevance to Board/Company's objectives. The Board Charter is available on the Company's website, www.salcon.com.my.

Corporate Governance Statement
(cont'd)

2. Strengthen Composition

2.1. Nomination Committee ("NC")

The principal responsibility of the NC is to assist the Board in nominating new nominees for appointment to the Board and to ensure the Board has the required mix of skills and competencies. The NC shall also assess the directors of the Company on an on-going basis. The NC comprises exclusively 3 Non-Executive Directors ("NED"), with the majority of them as independent Directors. The NC is chaired by Dato' Dr. Freezailah bin Che Yeom who is the Senior Independent Non-Executive Director of the Company.

The duties and responsibilities of NC are as follows:

- Identify and recommend to the Board, candidates to fill the seats on the Board. The candidates must have integrity of character and time in addition to being skillful, knowledgeable and possess expertise and experiences relevant to the Company's principal activities;
- Recommend to the Board, directors to fill the seats on Board Committees;
- Establish procedures and criteria for director nomination/selection process and annual assessment of directors;
- Review annually the required mix of skills and experience of the Board, including the core competencies which directors should bring to the Board;
- Evaluate the effectiveness of the Board and Board Committees (including its size and composition) and the contribution of each individual director, including independent non-executive directors as well as the Principal Officer. All assessments and evaluations carried out by the NC in the discharge of all its functions shall be properly documented;
- Evaluate and determine appropriate training and orientation needs for Directors, review the fulfilment of such training needs and disclose details in the annual report as appropriate, in accordance with the Bursa Securities Main Market Listing Requirements;
- Consider and recommend the Directors for re-election / re-appointment at each Annual General Meeting ("AGM");
- Ensure an appropriate framework and plan for Board and senior management succession for the Group;
- Develop criteria to assess independence of directors;
- Consider and examine such other matters as the NC considers appropriate; and
- Consider other matters as referred to the NC by the Board.

2.2. Develop, maintain and review criteria for recruitment and annual assessment of Directors

a. Recruitment or Appointment of Directors

The NC is responsible to ensure that the procedure for appointing new Directors are focused on creating a good mix of skills, knowledge, expertise, experience, professionalism and integrity to enable the Board to discharge its responsibilities effectively. Other factors considered include the candidates' ability to commit sufficient time to the Company, their character and level of independence.

The Company's Articles of Association provides that at least one third (1/3) of the Board of Directors shall retire from office provided always that all Directors shall retire from office once at least in each three (3) years. All retiring Directors shall be eligible for re-election. Directors over the age of seventy (70) years may be re-appointed in accordance with Section 129 of the Companies Act, 1965.

Corporate Governance Statement (cont'd)

Pursuant to Article 103 of the Company's Articles of Association, all new Directors who are appointed by the Board are subject to re-election at the next AGM subsequent to their appointment.

The NC assesses and recommends to the Board those Directors who are eligible to stand for re-election/re-appointment. The recommendation is based on formal reviews of the performance of the Directors, taking into consideration their latest Board Effectiveness Evaluation, contribution to the Board through their skills, experience, strengths and qualities, level of independence and ability to act in the best interest of the Company in decision making as well as time commitment, character and integrity.

During the financial year, NC had recommended to the Board for Mr. Chan Seng Fatt to be appointed as an Independent Non-Executive Director of the Company to fill the casual vacancy of the Company. The NC had discussed his curriculum vitae in detailed and his qualification, skills, knowledge, expertise, experience, character, competency, integrity, time commitment, professionalism and independence had satisfied the requirements of the Company. An induction programme comprises a combination of written materials such as corporate information, governance framework and management information; and meetings with existing directors and senior management has been provided to the newly appointed Director, Mr. Chan Seng Fatt. The induction programme would enable him to understand the history and culture of the Company and also foster constructive relationships between him and the existing directors and senior management.

b. Annual assessment

The Board's performance and effectiveness are assessed on an annual basis. The Board's performance evaluation is supported with assessment carried out on each individual Director's performance and contribution in respect of their individual contribution, interaction and quality of input to the Board's effectiveness.

The Board Committees are also subjected to annual assessment and the evaluation processes take due consideration of each committee's contribution and effectiveness in discharging its delegated duties and responsibilities in supporting the Board.

The NC is tasked to carry out the evaluation of the effectiveness of the Board and individual Directors annually, including independent non-executive directors. All assessments and evaluations carried out by the NC in the discharge of all its functions shall be properly documented.

Following the evaluation process, the NC identifies areas for improving the effectiveness of the Board and actions to be taken based on such feedback.

The NC had on 25 February 2015 reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, including core competencies of the Directors, the contribution of each individual director as well as their character, integrity and time commitment, independence of the Independent Directors, effectiveness of the Board as a whole, and the Board Committees; and also the retirement of Directors eligible for re-election.

The policy and nomination process is stated in the Board Charter which is available on the Company's website, www.salcon.com.my.

c. Diversity policy

The Board selects the members of the Board focused largely on creating a good mix of skills, knowledge, talent, experience and strengths in relevant areas to enable the Board to discharge its responsibilities in an effective and competent manner irrespective of gender, age and ethnicity.

Corporate Governance Statement
(cont'd)

2.3. Remuneration policies and procedures

The remuneration policy of the Company is to ensure competitive remuneration, thereby enabling the Company to attract and retain high caliber executives and at the same time protect the interest of the shareholders. The remuneration package of the executive directors is structured so as to link rewards to corporate and individual performance. In the case of the non-executive directors, the level of remuneration reflects the experience and level of expertise and responsibilities undertaken by the particular non-executive director concerned.

The Remuneration Committee, which consists of wholly non-executive directors, reviews and recommends for Board's approval, the remuneration packages of the Executive Directors.

In determining the remuneration package, the Executive Directors abstain from the deliberations and voting decisions in respect to their own remunerations. The Board, as a whole, will decide on the Non-Executive Directors' remuneration packages. Each of the Non-Executive Directors concerned shall abstain from deliberating and voting on their own remuneration.

Details of the remuneration of Directors of the Company for the financial year ended 31 December 2014 are as follows:

a) Aggregate remuneration of the Directors categorized into appropriate components:

Directors' Remuneration	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salary	1,260.0	-
Bonus	170.0	-
Fees	-	190.1
Meeting Allowances	-	22.5
Benefits-In-Kind	40.8	-
Statutory Contribution	171.6	-
ESOS	-	60
Total	1,642.4	272.6

b) Similar to other companies, the Board has resolved to disclose their remunerations into bands of RM50,000 as shown below; distinguishing between executive and non-executive directors to avoid sensitivities:-

Range of Directors' Remuneration	Number of Directors
Executive Directors	
Less than RM700,000	-
RM700,001 – RM750,000	1
RM900,001 – RM950,000	1
Non-Executive Directors	
Less than RM50,000	1
RM50,001 – RM100,000	3

Corporate Governance Statement (cont'd)

3. Reinforce Independence

3.1. Annual assessment of independence

The Board, through the NC conducts annual assessment on the independence of the Company's Independent Directors. The assessment takes into consideration the Directors' ability to exercise independent judgment and contribute effectively to the Board.

Based on the above assessment for the financial year 2014, the Board is satisfied with the level of independence and acknowledged the contribution by the respective Independent Directors that they had acted in the best interest of the Company. The number of Independent Directors of the Company is in compliance with the Bursa Securities Main Market Listing Requirements which requires at least one third (1/3) of the Board to comprise Independent Directors.

3.2. Tenure of Independent Directors

Salcon does not have term limits for Independent Directors as the Board believes that the experience with the Company's business operations provides benefits to the Board. The Board is of the view that significant advantages could be gained from the long-serving Directors who provide invaluable insight and possess knowledge of Salcon's affairs.

3.3. Shareholders' approval for the re-appointment of Independent Directors who served more than nine (9) years

Dato' Dr. Freezailah bin Che Yeom was appointed to the Board as an Independent Non-Executive Director on 21 July 2003. Dato' Dr. Freezailah bin Che Yeom had served the Board for a cumulative term of more than nine (9) years. The NC had assessed his independence and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

i) He fulfills the criteria of an Independent Director pursuant to the Bursa Securities Main Market Listing Requirements;

ii) He is familiar with the Company's business operations as he has been with the Company for a period of more than nine (9) years;

iii) His long tenure with the Company has neither impaired nor compromised his independent judgement. He continues to remain objective and is able to exercise independent judgement in expressing his views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company.

iv) He has devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company; and

v) He has exercised due care during his tenures as an Independent Director of the Company and carried out his duties in the interest of the Company and shareholders.

Based on the recommendations of the NC, the Board is satisfied with the knowledge, contributions and independent judgments that Dato' Dr. Freezailah bin Che Yeom brings to the Board. Therefore, the Board recommends and supports Dato' Dr. Freezailah bin Che Yeom's re-appointment as an Independent Non-Executive Director of the Company.

Corporate Governance Statement (cont'd)

3.4. Separation of positions of the Chairman and COO

The Chairman of the Board and COO are held by two (2) different individuals. The separation of the positions ensures accountability and facilitates division of responsibilities between the two positions while ensuring a balance of power and authority since no one individual has unfettered power during decision making.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board whereas the COO manages the day-to-day operations and businesses and implements the Board's decision. Detailed responsibilities of the Chairman and the COO are stated in the Board Charter which is available on the Company's website.

3.5. Composition of the Board

The Board is led by a Non-Executive Chairman and comprises six (6) members, two (2) of whom are Executive Directors and the remaining four (4) are Non-Executive Directors.

The Board has appropriate mix of relevant skills, knowledge and experience necessary to govern Salcon. Generally, the Executive Directors and Management, under the overall guidance of the Executive Committee, is responsible for implementing operational strategies and corporate decisions made by the Board.

Non-Executive Directors play a pivotal role in corporate accountability by providing unbiased and independent views in the sharing of knowledge and experience, towards the formulation of policies and in the decision-making process. Where a potential conflict of interest may arise, it is mandatory for the Director concerned to declare his interest and abstain from the decision-making process.

MCCG 2012 recommends that the Board must comprise a majority of independent directors when the Chairman of the Board is not an independent director, in order to ensure balance of power and authority on the Board.

The Chairman, Dato' Seri (Dr.) Goh Eng Toon is a Non-Independent Non-Executive Director. The Board believes that he is the most appropriate person for the role, given his vast experience in various industries. Furthermore, Dato' Seri (Dr.) Goh Eng Toon has and continues to play an effective role as Chairman as set out in the Board Charter.

4. Foster Commitment

4.1. Time commitment

Meetings for the year are scheduled at the end of the remain as preceding year to enable the Directors to plan ahead and ensure that the Board and its committee meetings are accounted in their respective schedules. The Board meets every quarter to consider the quarterly financial results and operational performance of the Group. Additional meetings are convened as and when necessary with due notice of issues to be discussed.

Directors devote sufficient time to carry out their responsibilities. It is the Board's policy for Directors to notify the Chairman before accepting any new directorships notwithstanding that the Bursa Securities Main Market Listing Requirements allow Director to sit on the board of 5 listed issuers.

The Board is satisfied with the level of time commitment contributed by the Directors towards the Company in discharging their duties and responsibilities.

Corporate Governance Statement (cont'd)

The attendance of Board members at Board meetings and various Committees meetings held during the financial year ended 31 December 2014 is as set out below:

#	Name	Designation	Number of meetings attended				
			BD	AC	NC	RMC	RC
1	Dato' Seri (Dr.) Goh Eng Toon	Non-Independent Non-Executive Director/Chairman	6/6	6/6	2/2	N/A	1/1
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	6/6	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	6/6	N/A	N/A	1/1	N/A
4	Dato' Dr. Freezailah bin Che Yeom	Independent Non-Executive Director	6/6	6/6	2/2	N/A	1/1
5	Ho Tet Shin (resigned on 17 December 2014)	Independent Non-Executive Director	6/6	6/6	2/2	1/1	1/1
6	Dato' Choong Moh Kheng	Independent Non-Executive Director	6/6	N/A	0/0[1]	N/A	0/0[1]
7	Chan Seng Fatt (appointed on 17 December 2014)	Independent Non-Executive Director	0/0	0/0[2]	N/A	0/0[2]	N/A

Notes:
(1) Appointed as a member of NC and RC on 2 January 2015.
(2) Appointed as a member of AC and RMC on 17 December 2014 and 2 January 2015 respectively.
BD - Board of Directors
AC - Audit Committee
NC - Nomination Committee
RMC - Risk Management Committee
RC - Remuneration Committee
N/A - Not Applicable

4.2. Training

The Board emphasises the importance of continuing education programmes or training for Directors. Continual improvement allows the Directors to equip themselves with updated knowledge and skills to enable them to actively participate in board deliberation and meet future challenges. The Board evaluates and determines the training needs of its members on a continuous basis to assist them in the discharge of their duties as Directors. The CS update the applicable changes to the Directors on any revisions or changes to new/existing legislations and regulatory requirements. The Board had via the NC undertaken an assessment of the training needs of each Director through the Annual Assessment.

During the financial year, all the Directors have attended training programmes and seminars. They have attended the following training programmes / seminars / conferences, collectively or individually:

#	Training programmes / seminars / conferences	Date
1	Briefing Session On Corporate Governance Guide : Towards Boardroom Excellence (2nd Edition)	26-Mar-14
2	Risk Management & Internal Control Workshops For Audit Committee Members	28-May-14
3	Appreciation & Application of ASEAN Corporate Governance Scorecard	29-Sept-14 7-Oct-14
4	Nominating Committee Programme	16-Oct-14
5	GST Training	20-Oct-14
6	Board Chairman Series: The Role of the Chairman	12-Nov-14

The Board of Directors will undergo relevant training programmes and seminars from time to time as and when necessary to update themselves with the relevant knowledge and skills to discharge their duties effectively.

Corporate Governance Statement
(cont'd)

5. Uphold integrity in financial reporting

5.1. Compliance with applicable financial reporting standards

The Board is committed to providing a balanced, clear and comprehensive financial performance and prospects in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of announcements to Bursa Securities on quarterly results, financial statements and annual report reflects the Board's commitment to provide transparent and up-to-date disclosures to the public. The Board is assisted by the AC in overseeing the Group's financial reporting process and the quality of its financial reporting.

Mr. Chan Seng Fatt who was appointed as Chairman of the AC on 17 December 2014 to replace Mr. Ho Tet Shin, is a Chartered Accountant of the Malaysia Institute of Accountant while the remaining AC members have accounting and financial experience.

Prior to the presentation of the Company's Financial Statements to the Board for approval and issuance to stakeholders, AC meetings were conducted to review the integrity and comprehensiveness of the Company's Financial Statements in the presence of external auditors and the Group and Company's Financial Controller.

The Board will obtain assurance from the AC to ensure that the preparation and fair presentation and disclosure in the financial statements are in accordance with applicable Malaysian Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The Statement of Responsibilities by Directors in respect of the preparation of the annual audited financial statements is set out on page 66 in the Financial Statements section of this Annual Report.

5.2. Assessment of suitability and independence of external auditors

The AC conducts reviews on the suitability and independence of external auditors. The AC is satisfied with the performance of the external auditors and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the 12th AGM.

The external auditors provide mainly audit-related services to Salcon. The external auditors also provide certain non-audit services such as, regulatory reviews and reporting and other services. The AC will consider the provision of non-audit services by external auditors before recommending for the Board's approval. The AC will ensure that provision of these services do not compromise the external auditors' independence.

The AC has obtained confirmation from the external auditors that they are independent in providing both audit and non-audit services up to the date of this statement.

6. Recognise and manage risks

6.1 Sound framework to manage risks

The RMC, assisted by the Risk Management Working Group ("RMWG"), oversees the Enterprise Risk Management framework for the Company. The RMC is at the forefront of the enterprise wide program and ensures that a risk management structure is embedded and consistently implemented within Board's established parameters throughout the Company while ensuring compliance with regulatory requirements.

The RMC is assisted by the Internal Audit and Risk Management Department ("IARMD") in its role as a facilitator in the implementation of risk management i.e. coordinating and reporting (risk management function) and reviewing of risks statuses (internal audit function).

Corporate Governance Statement (cont'd)

The RMWG conducts reviews and enterprise wide risk assessments on all entities, including subsidiaries, projects, concessions and other operational units of the Group at least once a year. These risk assessments are complemented by appropriate testing on the accuracy and verification of the integrity of controls and verification of controls on applicable entities via internal audit reviews; with recommendations to overcome any weaknesses noted. These internal audit reviews will also identify any new potential risk that could affect the operational processes and goodwill of the Company. Adequate disclosures on the status of implementation and performances of the Risk Management system are also provided on pages 73 to 74 of this Annual Report.

The RMC takes note that no RMC meeting was convened for year 2013 and for the first half of 2014 due to resources and prioritization matters. A RMC meeting was conducted on 20th November 2014. Nevertheless, the risks which were detrimental to the Salcon Group as well as those which require Management's attention had been flagged out, identified and addressed. There were no new risks identified for 2013 and first half of 2014 for Salcon Group.

For the year 2014, after due review and analysis of the Enterprise Risk Management (ERM) report during the RMC meeting, the RMC had directed the RMWG to review and where necessary, make recommendations for the Management's consideration:

- Review of risk categories, factors, weights tables to accommodate new divisions;
- Revise weights as per financial, operational and strategic impacts;
- Revise company-wide objectives to act as a KPI or as guidelines for formulating KPI.

6.2 Internal audit function

The Board had established an internal audit function under the IARMD, which reports directly to AC. IARMD presents periodic reports to the AC on the results of conducted audit reviews with evaluation of the effectiveness of governance, risk management and internal control processes within the Group via unbiased and independent validation checks on applicable entities.

Details of the internal control system and framework are set out in the Statement on Risk Management and Internal Control in this Annual Report.

7 Ensure timely and high quality disclosure

7.1 Corporate Disclosure Policy

The Company recognises the need and importance of communication with shareholders and investors through timely and accurate dissemination of information of the Group's performance and major developments via appropriate channels of communication.

The Board has in place, internal corporate disclosure policies and procedures, which are in compliance with the disclosure requirements as set out in the Bursa Securities Main Market Listing Requirements.

7.2 Leverage on information technology for effective and timely dissemination of information

To enhance transparency and communication with shareholders and all stakeholders, the Company's website, www.salcon.com.my, provides updated information on the business operations of the Company, Directors' profile, financial statements inclusive of quarterly results and annual report, investors' relationship, corporate responsibilities activities, corporate governance, Board Charter and applicable contact persons.

The Company's website also serves as a platform to allow shareholders, stakeholders or potential investors to channel any enquiries with regards to the Company. An alternate channel to reach out to a broader range of the public, shareholders and interested parties is via Facebook. The Company's CAD monitors the website and Facebook on a daily basis and direct all enquiries to relevant departments to ensure that all enquiries are replied as soon as practicable.

Corporate Governance Statement
(cont'd)

8 Strengthen relationship between Company and shareholders

8.1 Encourage shareholder participation at general meetings

Salcon sends Notice of AGM to all shareholders at least twenty-one (21) days prior to the date of the scheduled AGM together with the Annual Report and Circular/Statement to shareholders (if any). The Notice of the AGM is also advertised in a major local newspaper. This advance notice would allow shareholders to make necessary arrangements to either be present in the meeting or to appoint a proxy to act on their behalf.

The shareholders are encouraged to attend and participate in an open discussion during the AGM. The Directors respond to shareholders' questions during the AGM. The Chairman and where appropriate, the Executive Directors will provide a written answer after the AGM for significant questions that are not readily answered at the AGM.

8.2 Encourage poll voting

The Board encourages shareholders to put forth substantive resolutions for shareholders' approval by poll voting at the general meetings.

8.3 Effective communication and proactive engagements with shareholders

At the 11th AGM, all Directors were present to demonstrate their commitment and stewardship of the Company. The Chairman encouraged all shareholders to raise enquiries pertaining to Company's performance, proposed resolutions or future direction, prior to the commencement of the voting process. The Directors, COO, and Financial Controller of the Company were present to provide clarifications on issues/questions raised by the shareholders.

Other Information Required By Bursa Securities Main Market Listing Requirements

Status of Utilisation of Proceeds

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

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

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

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

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

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

The Proposed Disposals of the entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited pursuant to the SPA-A were deemed completed on 23 December 2013. While for the Proposed Disposals pursuant to SPA-B, Salcon and BEWG had mutually agreed to an extension to 25 May 2015 for the fulfilment of the conditions of the SPA-B.

Corporate Governance Statement (cont'd)

The status of the utilisation of the proceeds as at 29 April 2015 arising from the Proposed Disposals in respect of SPA-A is as follows:

Purpose	Proposed Utilisation RM'000	Utilised RM'000	Unutilised/ (Over) RM'000
Future investments	230,000	(34,000)	196,000
Repayment of borrowings	97,540	(97,540)	-
Distribution to shareholders	30,000	(20,230)	9,770
Working capital	10,397	(6,976)	3,421
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	(64)
Total	369,374	(160,247)	209,127

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2014.

Non-audit Fee

Other than the following, there was no non-audit fees to the external auditors for the financial year ended 31 December 2014:

Auditor	Services	Amount (RM)
KPMG	Professional Services in connection with the review of the Statement on Risk Management and Internal Control	25,000
KPMG	Extended audit scope on the process of compilation of the disclosure of realised and unrealised profits or losses	15,000

Variation in Results for the Financial Year

The audited financial statements for the financial year ended 31 December 2014, contained in this Annual Report does not deviate by more than 10% from the unaudited results of the Group announced on 25 February 2015.

Corporate Governance Statement
(cont'd)

Shares Buy-Back

During the financial year ended 31 December 2014, the Company bought back a total of 7,125,000 ordinary shares of RM 0.50 each from the open market and these shares were retained by the Company as treasury shares. None of the treasury shares were resold or cancelled during the financial year.

Details of the shares bought back were as follows:

Month of Purchase(s)	No. of Shares Purchased	Highest Price per Share RM	Lowest Price per Share RM	Average Price per Share RM	Total Consideration Paid RM
October 2014	20,000	0.730	0.715	0.728	14,556.04
December 2014	7,105,000	0.655	0.555	0.607	4,312,552.02
Total	7,125,000				4,327,108.06

Subsequent to 2014 financial year end, the Company acquired an additional total of 1,049,500 ordinary share of RM 0.50 each, from the open market. Subsequently, the Company disposed a total of 8,000,000 treasury shares in February 2015.

Month of Purchase(s)	No. of Shares Purchased	Highest Price per Share RM	Lowest Price per Share RM	Average Price per Share RM	Total Consideration Paid RM
January 2015	1,017,100	0.605	0.580	0.599	609,619.11
March 2015	32,400	0.730	0.730	0.735	23,825.01
Total	1,049,500				633,444.12

Month of Disposal	No. of Shares Sold	Highest Price per Share RM	Lowest Price per Share RM	Average Price per Share RM	Total Consideration Received RM
February 2015	8,000,000	0.750	0.745	0.744	5,955,875.00
Total	8,000,000				5,955,875.00

Corporate Governance Statement
(cont'd)

Options or Convertible Securities

The Company did not issue any options or convertible securities during the financial year ended 31 December 2014.

The Company has one (1) Employees Share Option Scheme ("ESOS") currently in existence. The ESOS was approved at Extraordinary General Meeting held on 23 June 2010, for a period of five (5) years up to 6 July 2015.

During the financial year under review, 17,125,600 options under the ESOS were exercised.

Disclosure of information in relation to ESOS pursuant to Appendix 9C (27) of Bursa Securities Main Market Listing Requirements are as follows:

i) *ESOS offered to all employees*

The Company's ESOS was approved at EGM held on 23 June 2010, for a period of five (5) years up to 6 July 2015. As at financial year ended 31 December 2014, four (4) offers have been made to the employees as detailed below:

		Total Number of ESOS		
Date of Allocation	**Exercise Price**	**Granted ('000)**	**Exercised/ Lapsed('000)**	**Outstanding ('000)**
9 July 2010	RM0.57	27,299	(25,623)	1,676
1 July 2011	RM0.52	1,647	(1,555)	92
2 July 2012	RM0.50	348	(318)	30
14 May 2013	RM0.50	23,610	(23,104)	506
		52,904	(50,600)	2,304

ii) *ESOS to Executive Directors and Senior Management*

As at financial year ended 31 December 2014, ESOS allocations to Executive Directors are as follows:

No	**Name of Director**	**Amount of ESOS granted**	**Amount of ESOS exercised**	**Amount of ESOS outstanding**
1	Tan Sri Dato' Tee Tiam Lee	3,600,000	(3,600,000)	-
2	Dato' Leong Kok Wah	3,600,000	(3,600,000)	-
	Total	7,200,000	(7,200,000)	-

A total of 1,975,000 ESOS were granted to the Senior Management at the exercise price of RM0.50 per share.

The aggregate maximum and actual ESOS allocations to Executive Directors and Senior Management during the financial year 2014 and since the commencements of the ESOS are as follows:

	Financial Year 2014		Since the Commencement of the ESOS	
	Maximum Allowable Allocation (%)	**Actual Allocation (%)**	**Maximum Allowable Allocation (%)**	**Actual Allocation (%)**
Executive Directors and Senior Management	-	-	50	13%

Corporate Governance Statement
(cont'd)

iii) *ESOS to Non-Executive Directors*

As at financial year ended 31 December 2014, ESOS allocations to Non-Executive Directors are as follows:

No	Name of Director	Amount of ESOS granted	Amount of ESOS exercised	Amount of ESOS outstanding
1	Dato' Seri (Dr.) Goh Eng Toon	2,300,000	(2,300,000)	-
2	Dato' Dr. Freezailah bin Che Yeom	1,700,000	(1,700,000)	-
3	Ho Tet Shin (resigned on 17 December 2014)	1,700,000	(1,700,000)	-
4	Dato' Choong Moh Kheng	1,700,000	(1,700,000)	-
	Total	7,400,000	(7,400,000)	-

Further details in regards to the Company's ESOS are available in the Directors' Report in the Financial Statements on pages 76 to 81 of this Annual Report.

Depository Receipt Programme
The Company did not sponsor any depository receipt programmes during the financial year ended 31 December 2014.

Impositions of Sanctions / Penalties
There were no sanctions and / or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Profit Guarantee
During the financial year, there were no profit guarantees given by the Company.

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

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2014, 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, 1965. 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.

Audit Committee Report

The Audit Committee of Salcon Berhad ("Company") is pleased to present its report for the financial year ended 31 December 2014.

MEMBERSHIP AND ACTIVITIES

Membership

In compliance with the Bursa Malaysia Securities Berhad (BS) Main Market Listing Requirements (Main LR), all three (3) members of the Audit Committee (the Committee) are non-executive directors with a majority of them being independent, including the Committee Chairman.

The Committee comprises the following members:

Ho Tet Shin *(Chairman)* *(Resigned on 17 December 2014)*	Independent Non-Executive Director
Chan Seng Fatt *(Chairman)* *(Appointed on 17 December 2014)*	Independent Non-Executive Director
Dato' Dr. Freezailah bin Che Yeom	Independent Non-Executive Director
Dato' Seri (Dr.) Goh Eng Toon	Non-Independent Non-Executive Director

Mr. Chan Seng Fatt, a Chartered Accountant of the Malaysia Institute of Accountant was appointed as the Chairman of the Committee on 17 December 2014. He replaced Mr. Ho Tet Shin who ceased to be the Chairman of the Committee following his resignation as Director on 17 December 2014.

Meetings

During the financial year ended 31 December 2014, six (6) meetings were convened, with details on the attendance of the members listed below:

Members	**No. of Meetings Attended**
Ho Tet Shin *(Chairman)* – resigned on 17 December 2014	6/6
Dato' Dr. Freezailah bin Che Yeom	6/6
Dato' Seri (Dr.) Goh Eng Toon	6/6
Chan Seng Fatt *(Chairman)* – appointed on 17 December 2014	0/0

Representatives of the external auditors, Messrs. KPMG, Head of Internal Audit, and where necessary, executive officers were also present in the meetings to assist in the deliberations.

The meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification.

Audit Committee Report
(cont'd)

Trainings

During the financial year, the Committee's members have attended the following training programmes / seminars / conferences, collectively or individually:

#	Training programmes / seminars / conferences	Date
1	Briefing Session On Corporate Governance Guide : Towards Boardroom Excellence (2nd Edition)	26-Mar-14
2	Risk Management & Internal Control Workshops For Audit Committee Members	28-May-14
3	Appreciation & Application of ASEAN Corporate Governance Scorecard	29-Sept-14 7-Oct-14
4	Nominating Committee Programme	16-Oct-14
5	GST Training	20-Oct-14
6	Board Chairman Series: The Role of the Chairman	12-Nov-14

Summary of Activities of the Committee

The activities carried out by the Committee during the financial year ended 31 December 2014 include, inter alia with particular attention paid to overseas operations, the followings:

- Had discussions with the external auditors, twice, without the presence of the executive Board members or Management of the Company.
- Reviewed the external auditors' scope of work and audit plans for the year, prior to the commencement of their annual audit.
- Considered and recommended to the Board for approval, the audit fees payable to the external auditors as disclosed in Note 24 to the financial statements.
- Reviewed with the external auditors, the results of the audit and major issues arising from the audit as well as their evaluation of the system of internal controls of the Company.
- Reviewed the Company's quarterly results and financial statements prior to recommending the same to the Board.
- Reviewed the Company's compliance in particular the quarterly and annual financial statements with the BS Main LR, Malaysian Accounting Standards Board (MASB) and other relevant legal and regulatory requirements.
- Reviewed the Internal Audit & Risk Management Department's resource requirements, programs and plans for the financial year 2014.
- Reviewed the summary of pertinent issues presented by the internal auditor on major findings, recommendations and management's responses. The Committee also discussed management actions taken to improve the system of internal control based on improvement opportunities identified in the summary report.
- Reviewed pertinent issues of the Group which had a significant impact on the results of the Group which included enhancement and further investment in existing products and services offered, cost rationalization measures, reorganization of business units and human resource development.
- Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report and provide its recommendation to the Board for inclusion in the Annual Report.
- Reviewed the application of corporate governance principles and the extent of the Group's compliance with the best practices as set out under the Malaysian Code on Corporate Governance 2012 for the purpose of preparing the Statement on Risk Management and Internal Control and Corporate Governance Statement pursuant to BS Main LR.
- Reviewed the suitability and independence of external auditors and recommended their re-appointment to the Board.

Audit Committee Report (cont'd)

Internal Audit Function

The Group's internal audit function is performed in-house by the Internal Audit & Risk Management Department (IARMD), which has a direct reporting line to the Committee. IARMD plays a key role in undertaking independent, regular and systematic reviews of risk management, internal control and governance systems to provide the Group with reasonable assurance that the said systems are operating and will continue to operate satisfactorily and effectively in a transparent manner. The remit of the internal audit function, as determined by the Committee, is stated in the Internal Audit Charter.

The internal audit activities are carried out based on the approved annual internal audit plan, which is designed via risk based approach to cover subsidiaries, projects, concessions and other operational units within the Group. Internal audit also plays its consultative and analytical roles by reviewing and recommending improvements to the risk management, internal control and governance processes, where appropriate.

During the financial year under review, the internal audit activities, which were carried out independently from the management and operations of the Group, include, inter alia, the followings:

- Conducted audit visits to project sites, including Malaysia and Sri Lanka;
- Reviewed the adequacy of existing procedures in regards to the tendering and procurement functions;
- Reviewed the extent of compliance to the Group's established policies and procedures as well as relevant statutory requirements;
- Reviewed the reliability, completeness, usefulness of financial, operational and management information and the underlying records;
- Reviewed the adequacy of controls implemented to safeguard the Group's assets;
- Reviewed the internal controls and key operating processes according to the approved annual plan as well as their risk management processes and recommend areas for improvement; and

The pertinent findings arising from the above activities and management responses were tabled to the Committee during its meeting held on quarterly basis. Follow up audits were conducted and the status of implementation of corrective actions were also tabled to the Committee.

All internal audit activities for the financial year ended 31 December 2014 were conducted by the in-house audit team. There were no areas of the internal audit function which were outsourced. The total costs incurred by the Group's internal audit function for the year under review was approximately RM424,000.

Audit Committee Report
(cont'd)

TERMS OF REFERENCE

Composition

1. The Committee shall be appointed by the Board from amongst its Directors (except for alternate directors) who fulfill the following requirements:

    a. the audit committee shall comprise no fewer than three (3) members;

    b. all members of the committee shall be non-executive directors, with a majority of them being independent directors; and

    c. all members of the audit committee should be financially literate and at least one member of the audit committee:

        (i) must be a member of the Malaysian Institute of Accountants; or

        (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience, and:

            a. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
            b. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

        (iii) shall fulfill such other requirements as prescribed or approved by BS.

2. No alternate director of the Board shall be appointed as a member of the committee.

3. The members of the Committee shall select a chairman from among their number who shall be an independent director.

4. The Board shall within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

5. The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

Rights

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

a. have authority to investigate any matter within its terms of reference;

b. have the resources, which are required to perform its duties;

c. have full and unrestricted access to any information pertaining to the Company and the Group;

d. have direct communication channels with the External and Internal Auditors, as well as employees of the Group;

e. be able to obtain independent professional or other advice; and

f. convene meetings with the external auditors at least twice a year, excluding the attendance of other Directors and employees of the Group.

Audit Committee Report
(cont'd)

Functions

The functions of the Committee shall include a review of the followings:

Governance

a. the Management's compliance with laws, regulations, established policies, plans and procedures.

b. any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

c. procedures in place to ensure that the Group complies with the Companies Act, 1965, BS Main LR and other legislative and reporting requirements.

Financial Reporting

a. the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

    i. changes in or implementation of major accounting policy changes;

    ii. significant and unusual events;

    iii. compliance with accounting standards and other legal requirements; and

    iv. the going concern assumption.

External Audit

a. with the external auditors, the scope of their audit plan, their evaluation of the system of internal control and the audit reports on the financial statements.

b. the assistance given by the employees of the listed issuer to the external auditor.

c. the selection, re-appointment, remuneration, resignation or dismissal of the external auditors.

d. to review the external auditor's management letter and management's response.

e. to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

f. the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.

Internal Audit

a. the adequacy of the scope, functions, competency and resources of the internal audit function and the authority necessary to carry out its work.

b. the internal audit program, processes and the results of the internal audit work, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function.

c. major audit findings and the management's responses during the year with management, external auditors, including the status of previous audit recommendation.

Audit Committee Report
(cont'd)

d. approve any appointment or termination of senior staff members of the internal audit function.

e. take cognizance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning.

f. any appraisal or assessment of the performance of the members of the internal audit function.

g. the adequacy and integrity of internal control system, including enterprise risk management, management information system, and the internal auditors and/or external auditors' evaluation of the said system.

ESOS

a. verifying the allocation of options under the Employees Share Option Scheme (ESOS) as compliant with the disclosed criteria for allocation of options, at the end of each financial year, if applicable.

Risk Management

a. the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his/her plans to mitigate business risks as identified from time to time.

Other Matters

a. any other matters as may be directed by the Board from time to time.

Meetings

Meetings of the Committee shall be held not less than four (4) times a year. Other Board members and employees may attend any particular meeting only at the Committee's invitation. The external auditors may request a meeting if they consider that is necessary and shall have the right to appear and be heard at any meeting of the Committee.

The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting by giving not less than three (3) clear days notice thereof unless such requirement is waived by all members. Written notice of the meeting together with the agenda shall be given to the members and external auditor where applicable. However, consent from members who are overseas is not required.

The quorum for a meeting for the Committee shall be two (2) provided always that the majority of members present must be independent directors. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation. The Chairman shall not have a casting vote.

The Company Secretary shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board. Key issues discussed shall be reported by the Chairman of the Committee to the Board.

STATEMENT OF VERIFICATION ON ALLOCATION OF OPTIONS PURSUANT TO EMPLOYEES SHARE OPTION SCHEME

Paragraph 8.17(3) of BS Main LR requires a statement by the Audit Committee verifying the allocation of options under the ESOS as compliant with the disclosed criteria for allocation of options, at the end of each financial year.

There was no new allocation of share options during the financial year 2014.

Statement on Risk Management and Internal Control

Bursa Securities Main Listing Requirements (BSMLR), Paragraph 15.26(b), requires the Board of Directors of Listed Issuers to integrate a Statement on Risk Management and Internal Control in the Group's Annual Report. The Malaysian Code on Corporate Governance 2012 (MCCG 2012) recommends to the Board that a sound risk management framework and internal control system to be adequately established in order to safeguard shareholders' investments, Company's assets and stakeholders' interest.

Board Responsibilities

The Board acknowledges its responsibility to review the integrity and adequacy of the internal control system for the Group. The system is designed to provide reasonable assurance of effective operations and compliance with laws and regulatory requirements. Reviews are conducted by the Board to ascertain the effectiveness and adequacy of the system.

Due to inherent restrictions, the internal controls systems are designed to manage or mitigate, rather than eliminate the risk of failure to achieve business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement or loss.

Furthermore, the Board has received assurance from the Chief Operating Officer and the Financial Controller that the Group's risk management and internal control system is operating adequately and effectively throughout the financial year 2014 and period up to the date of this report, in all material aspects, based on the risk management and internal control system of the Group.

Risk Management

The Board is pleased to disclose that there is an embedded process for identifying, evaluating, managing and reporting significant business risks faced by the Group, excluding associated company and joint venture entities, throughout the financial year.

The Group has established a Risk Management Committee (RMC) to provide oversight function in the implementation and enforcement of the risk management process. The Group's Risk Management Framework is outlined in its Integrated Risk Management Policy.

Management from each business or operational area applies a risk/control assessment approach in identifying the risks relating to their area; the likelihood of these risks occurring; the consequences if they do occur and the actions being and/or to be taken to manage these risks to the acceptable or desired level. The risk profiles and risk treatment measures determined from this process are adequately documented in the risk registers with each business or operational area having its respective risk register.

Internal Audit Function

BSMLR Paragraph 15.27 requires Listed Issuers to establish an independent internal audit function. The Board adopted MCCG 2012 in setting up in-house internal audit department within the Group. The internal audit department reports directly to the Audit Committee (AC) and to provide feedback regarding the adequacy and the integrity of the Group's systems of internal controls in managing its key risks.

The internal audit function reviews the key activities of the Group on the basis of an annual audit plan approved by the Audit Committee. The annual audit plan for the Group is prepared based on the direction given by the Audit Committee and the Corporate Risk Registers of the operating entities within the Group. The Audit Committee determines the scope of the work to be carried out and reviews the internal audit reports 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 carried out to ascertain that appropriate actions are taken to address internal control weaknesses highlighted. Subsequent to the reviews, the Audit Committee shall present its pertinent findings to the Board on a quarterly basis or as appropriate.

Internal audit department would also conduct Due Diligence (DD) review and audit on any potential new business ventures or acquisition, as and when required, in ascertaining the reliability and adequacy of financial data for management evaluation and assessment.

Statement on Risk Management and Internal Control
(cont'd)

Other Risks and Control Processes

The Board summarised at below processes implemented in reviewing the effectiveness, adequacy and integrity of the internal control system within the Group: -

- Salcon Engineering Berhad continues to be certified under the ISO 9001:2008 and ISO 14001:2004 quality and environmental management systems at the corporate office and project levels. As testimony of the Group's commitment to ensuring quality and minimum environmental impact, a Quality and Environmental Policy Statements and ISO Procedures have been established and updates as and when necessary.

- To ensure continual improvement, training and compliance audits are carried out at least once a year on environmental and quality performances for activities undertaken at the project sites and corporate office by Quality Assurance (QA) and Safety, Health & Environmental (SHE) departments.

- The Group conforms to the requirements of Occupational Safety & Health OSHAS 18001:2007, with the development of a Corporate Safety & Health Manual and Procedures for implementation on project sites and the corporate office. A Safety & Health Policy Statement established by the Group represents a testimony of the Group's commitment to maintain a safe working environment and stringent work practices.

- The Corporate Safety & Health Committee reviews and updates the Safety & Health Policy Statement as and when necessary, and conducts training courses at least once a year, to ensure continual improvement and enhancement of the effectiveness of the Occupational Safety and Health Management System (OSHMS) adopted by the Group.

- The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority, allowing internal checks and balances.

- The Group has also developed and distributed to its employees an Employee Handbook that highlights policies with respect to entitlements, benefits and conduct expected from them.

- As a form of preventive control and awareness on conflict of interest situation and to promote good employee conducts and ethics, the Group has developed and put in place, a policy on Code of Ethics and Conduct.

- Quarterly updates of the financial results of the Group are reported to the Audit Committee and the Board.

- Informal business development and management meetings, which involve the Chief Operating Officer, Executive Directors and selected personnel, are held to update, identify and address any issues encountered by the Group.

- The internal audit function provides reasonable assurance on the operations and validity of the systems of internal controls whilst, the Management, through the Audit Committee, is tasked to follow up and monitor the status of actions on recommendations made by the internal auditors.

- The Audit Committee can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety, which has material impact on the Group.

Weaknesses in Internal Controls That Result In Material Losses

Throughout the year, the Internal Audit & Risk Management Department has performed various reviews on major subsidiaries and projects in Malaysia and Sri Lanka. The Board confirms that the systems of internal controls are being implemented throughout the Group and continuous reviews are being carried out in ascertaining its adequacy and effectiveness. There were no major internal controls weaknesses detected which have a material impact on the Group's financial performance or operations.

This Statement on Risk Management and Internal Control has not dealt with associates and joint ventures where the Group does not have full management over them. However, the Group's interest is served through representations on the Board of the respective associates and joint ventures.

Financial Statements

Other Information

Directors' report

for the year ended 31 December 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

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 have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	4,608	67,628
Non-controlling interests	32,299	-
	36,907	67,628

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 Company paid a first and special final single tier tax exempt dividend of 3.0 sen per ordinary share, totalling RM20,230,000 in respect of the financial year ended 31 December 2013 on 8 August 2014.

A first and special final single tier tax exempt dividend of 3.0 sen per ordinary share totalling RM20,239,000 was recommended by the Directors in respect of the financial year ended 31 December 2014 and is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Directors of the Company

Directors who served since the date of the last report are:

Dato' Seri (Dr.) Goh Eng Toon
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Dr. Freezailah bin Che Yeom
Dato' Choong Moh Kheng
Chan Seng Fatt (appointed on 17 December 2014)
Ho Tet Shin (resigned on 17 December 2014)

Directors' report

for the year ended 31 December 2014 (Cont'd)

Directors' interests in shares

The interests and deemed interests in the ordinary shares, options over ordinary shares and warrants of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at 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 of RM0.50 each			
	At 1.1.2014	**Bought**	**Sold**	**At 31.12.2014**
The Company				
Direct interest				
Dato' Seri (Dr.) Goh Eng Toon	1,800,000	500,000	-	2,300,000
Tan Sri Dato' Tee Tiam Lee	29,696,400	-	-	29,696,400
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
Dato' Dr. Freezailah bin Che Yeom	50,400	1,700,000	-	1,750,400
Dato' Choong Moh Kheng	2,850,000	800,000	200,000	3,450,000
Deemed interest				
Dato' Seri (Dr.) Goh Eng Toon (1)	66,709,600	-	-	66,709,600
Tan Sri Dato' Tee Tiam Lee (2)	29,397,400	-	-	29,397,400
Dato' Leong Kok Wah (3)	67,009,600	-	-	67,009,600
Dato' Choong Moh Kheng (4)	9,500,000	-	1,350,000	8,150,000

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2014	**Granted**	**Exercised**	**At 31.12.2014**
The Company				
Direct interest				
Dato' Seri (Dr.) Goh Eng Toon	500,000	-	500,000	-
Dato' Dr. Freezailah bin Che Yeom	1,700,000	-	1,700,000	-
Dato' Choong Moh Kheng	800,000	-	800,000	-

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

	Number of Warrants 2007/2014			
	At 1.1.2014	**Acquired**	**Disposed**	**At 31.12.2014**
The Company				
Direct interest				
Dato' Leong Kok Wah	3,600,000	-	3,600,000	-
Dato' Dr. Freezailah bin Che Yeom	12,700	-	12,700	-

(1) (i) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(2) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(3) (i) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 6A of the Companies Act, 1965.
(ii) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

(4) Deemed interested through shareholding in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

Directors' report

for the year ended 31 December 2014 (Cont'd)

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 a benefit included in the aggregate amount of emoluments 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Warrants 2007/2014 and the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

During the financial year, the Company issued:

a) 17,125,600 new ordinary shares of RM0.50 each for total cash consideration amounting to RM9,022,000 pursuant to the exercise of ESOS at a weighted average exercise price of RM0.53 per ordinary share, and

b) 49,209,700 new ordinary shares of RM0.50 each for total cash consideration amounting to RM36,907,000 via conversion of Warrants 2007/2014 at the subscription price of RM0.75 per share.

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

Warrants 2007/2014

On 18 May 2007, the Company issued 106,022,701 free detachable warrants ("Warrants 2007/2014") pursuant to a renounceable rights issue of 212,045,402 new ordinary shares of RM0.50 each ("Rights Shares") to the entitled shareholders ("Rights Issue") on the basis of two (2) Rights Shares with one (1) Warrant 2007/2014 attached for every two (2) existing shares held.

Each Warrant 2007/2014 entitles the registered holder to subscribe for one (1) new ordinary share of RM0.50 each of the Company at any time on or after 18 May 2007 to 19 May 2014, at an exercise price of RM0.75 per share or such adjusted price in accordance with the provisions in the Deed Poll dated 12 April 2007.

The shares arising from the exercise of Warrants 2007/2014 shall rank *pari passu* in all respects with the existing issued ordinary shares of the Company except that they shall not be entitled to any dividends, distributions or rights, the entitlement date of which is prior to the date of the allotment of the new shares pursuant to the exercise of Warrants 2007/2014.

Warrants 2007/2014 had expired on 19 May 2014 and those warrants remained outstanding after that date were lapsed and void.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an extraordinary general meeting held on 23 June 2010, the Company's shareholders approved the establishment of an ESOS of not more than 15% of the issued and paid up share capital of the Company to eligible Directors and employees of the Group. Subsequently, the Company had on 20 June 2012 obtained shareholders' approval to amend the existing By-Laws governing the ESOS and granting of ESOS options to Non-Executive Directors of Salcon Berhad.

Options granted over unissued shares (continued)

The salient features of the ESOS scheme are, *inter alia,* as follows:

i) Maximum allowable allotment and basis of allocation

The maximum number of new ordinary shares of RM0.50 each in the Company ("Salcon Shares") that may be offered under the ESOS Options to eligible persons shall take into consideration, amongst other factors, the eligible persons' seniority and performance subject to the following:

(a) Not more than 50% of the total number of Salcon Shares to be issued under the ESOS shall be allocated, in aggregate, to Directors and senior management of the Group; and

(b) Not more than 10% of the total number of Salcon Shares to be issued under the ESOS would be allocated to any one eligible person, who either singly or collectively through person(s) connected with him/her holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares).

ii) Eligibility to participate in the ESOS

Generally, all eligible Persons of the Group who fulfill the following conditions shall be eligible to participate in the ESOS:

a) in respect of an employee, the employee must fulfill the following criteria as at the Date of Offer:

(i) he/she is at least eighteen (18) years of age;
(ii) he/she is employed full time by and on the payroll of any company in the Group;
(iii) his/her employment must have been confirmed and he/she is employed by any company in the Group for more than one (1) year on the Date of Offer (except in respect of Directors);
(iv) he/she complies fully with any other criteria set by the ESOS committee.

b) in respect of a Director, whether executive or Non-Executive, the following criteria must be fulfilled as at the Date of Offer:

(i) the Director is at least eighteen (18) years of age;
(ii) the Director has served as a Director within the Salcon Group for a continuous period of more than one (1) year on the Date of Offer;
(iii) specific allocation of new shares to the Director of the Company under the Scheme must have been approved by the shareholders of Salcon in a general meeting and is not prohibited or disallowed by the relevant authorities or laws from participating in the ESOS;
(iv) he/she complies fully with any other criteria set by the ESOS committee.

The ESOS Committee reserves the right to set different eligibility criteria for employees of foreign incorporated subsidiaries of the Company.

The selection of any Eligible Persons for participation in the ESOS shall be at the discretion of the ESOS Committee, and the decision of the ESOS Committee shall be final and binding.

iii) Duration of the ESOS

The ESOS shall be valid for a duration for five (5) years from the effective date of implementation and may, if the Board deems fit, upon the recommendation of the ESOS Committee, be extended for a further five (5) years, subject to a maximum aggregate of ten (10) years from the effective date of implementation of the ESOS.

Directors' report

for the year ended 31 December 2014 (Cont'd)

Options granted over unissued shares (continued)

iv) Subscription price

Subject to any adjustment that may be made in accordance with the By-laws of the ESOS, the price payable for the exercise of an option under the ESOS shall be determined by the ESOS Committee at its sole discretion based on the five (5) day weighted average market price of the underlying shares immediately prior to the date of offer is made by the ESOS Committee, with a discount of not more than ten per centum (10%) thereon, if deemed appropriate, or the par value of the Salcon Shares, whichever is the higher.

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise prices are as follows:

		Number of options over ordinary shares of RM0.50 each				
Date of offer	**Exercise price**	**At 1.1.2014**	**Granted**	**Exercised**	**Forfeited/ lapsed**	**At 31.12.2014**
9 July 2010	RM0.57	8,946,400	-	6,423,700	847,000	1,675,700
1 July 2011	RM0.52	511,000	-	419,000	-	92,000
2 July 2012	RM0.50	4,666,000	-	4,636,000	-	30,000
14 May 2013	RM0.50	6,961,750	-	5,646,900	33,600	1,281,250

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.

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.

Directors' report

for the year ended 31 December 2014 (Cont'd)

Other statutory information (continued)

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 the effect of disposal of subsidiaries during the financial year as disclosed in Note 23 and material litigation as disclosed in Note 37 (iv) to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 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 event

The significant event during the year is disclosed in Note 37 to the financial statements.

Subsequent event

The subsequent event is disclosed in Note 38 to the financial statements.

Auditors

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

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

……………………………………
Dato' Seri (Dr.) Goh Eng Toon

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

Kuala Lumpur,
Date: 29 April 2015

Statements of financial position

at 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Assets					
Property, plant and equipment	3	73,816	83,112	-	-
Intangible assets	4	21,831	3,683	-	-
Investment properties	6	8,446	8,446	-	-
Investments in subsidiaries	7	-	-	157,227	157,220
Investment in an associate	8	27,674	27,850	-	-
Investment in joint ventures	9	22,898	-	23,500	-
Other investments	10	-	-	-	-
Deferred tax assets	11	5,864	5,673	-	-
Total non-current assets		160,529	128,764	180,727	157,220
Trade and other receivables	5	205,991	242,581	180,074	175,825
Inventories	12	146,061	26,067	-	-
Current tax assets		1,311	1,037	582	1,036
Assets classified as held for sale	13	142,042	660,733	-	-
Cash and cash equivalents	14	294,453	147,398	150,140	104,130
Total current assets		789,858	1,077,816	330,796	280,991
Total assets		950,387	1,206,580	511,523	438,211
Equity					
Share capital		337,320	304,152	337,320	304,152
Reserves		146,808	103,025	81,385	72,496
Retained earnings		56,288	99,242	66,455	19,057
Total equity attributable to owners of the Company	15	540,416	506,419	485,160	395,705
Non-controlling interests		101,550	213,937	-	-
Total equity		641,966	720,356	485,160	395,705
Liabilities					
Loans and borrowings	16	84,951	20,917	-	-
Deferred tax liabilities	11	9,327	4,209	-	-
Total non-current liabilities		94,278	25,126	-	-
Trade and other payables	18	113,498	167,505	26,072	42,506
Loans and borrowings	16	13,594	10,374	291	-
Current tax liabilities		1,702	1,215	-	-
Liabilities classified as held for sale	13	85,349	282,004	-	-
Total current liabilities		214,143	461,098	26,363	42,506
Total liabilities		308,421	486,224	26,363	42,506
Total equity and liabilities		950,387	1,206,580	511,523	438,211

The notes on pages 91 to 169 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Continuing operations					
Revenue	19	194,465	164,612	66,584	398
Cost of sales		(165,925)	(142,386)	-	-
Gross profit		28,540	22,226	66,583	398
Other income		12,474	7,714	9,674	56,181
Distribution expenses		(3,420)	(3,355)	(26)	(48)
Administrative expenses		(38,315)	(51,254)	(8,739)	(23,376)
Other expenses		(2,465)	(3,166)	(4,257)	-
Results from operating activities		(3,186)	(27,835)	63,236	33,155
Finance income		8,400	1,187	4,864	3,314
Finance costs	21	(1,928)	(7,281)	-	(5,052)
Operating profit/(loss)		3,286	(33,929)	68,100	31,417
Share of profit of equity-accounted associate/joint ventures net of tax		2,370	3,173	-	-
Profit/(Loss) before tax		5,656	(30,756)	68,100	31,417
Tax expense	22	(3,742)	1,077	(472)	(253)
Profit/(Loss) from continuing operations		1,914	(29,679)	67,628	31,164
Discontinued operations					
Profit from discontinued operation, net of tax	23	34,993	87,256	-	-
Profit for the year	24	36,907	57,577	67,628	31,164
Other comprehensive (expense)/ income, net of tax					
Foreign currency translation differences for foreign operations	25	(21,977)	38,510	-	-
Total comprehensive (expense)/income for the year, net of tax		(21,977)	38,510	-	-
Total comprehensive income for the year		14,930	96,087	67,628	31,164

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2014 (Cont'd)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit attributable to:					
Owners of the Company		4,608	24,944	67,628	31,164
Non-controlling interests		32,299	32,633	-	-
Profit for the year		36,907	57,577	67,628	31,164
Total comprehensive income attributable to:					
Owners of the Company		(23,686)	42,164	67,628	31,164
Non-controlling interest		38,616	53,923	-	-
Total comprehensive income for the year		14,930	96,087	67,628	31,164
Basic (loss)/earnings per ordinary share (sen):	26				
from continuing operation		(3.29)	(5.79)		
from discontinued operations		4.00	10.29		
		0.71	4.50		
Diluted (loss)/earnings per ordinary share (sen):	26				
from continuing operation		(3.29)	(5.62)		
from discontinued operations		4.00	9.99		
		0.71	4.37		

The notes on pages 91 to 169 are an integral part of these financial statements.

Statements of changes in equity
for the year ended 31 December 2014

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		Attributable to Owners of the Company								
		Non-distributable					Distributable			
At 1 January 2013		260,869	36,627	22,150	13,309	3,909	79,691	416,555	225,490	642,045
Foreign currency translation differences for foreign operations		-	-	-	17,220	-	-	17,220	21,290	38,510
Total other comprehensive income for the year		-	-	-	17,220	-	-	17,220	21,290	38,510
Profit for the year		-	-	-	-	-	24,944	24,944	32,633	57,577
Total comprehensive income for the year		-	-	-	17,220	-	24,944	42,164	53,923	96,087
Issuance of shares	15	27,013	4,592	-	-	-	-	31,605	-	31,605
Share-based payment transactions	17	-	-	-	-	4,667	-	4,667	-	4,667
Dividends to owners	27	-	-	-	-	-	(5,393)	(5,393)	-	(5,393)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(662)	(662)
Share options exercised		16,270	5,736	-	-	(5,185)	-	16,821	-	16,821
		43,283	10,328	-	-	(518)	(5,393)	47,700	(662)	47,038
Change in ownership interests in a subsidiary		-	-	-	-	-	-	-	(39,228)	(39,228)
Total transactions with owners of the Company		43,283	10,328	-	-	(518)	(5,393)	47,700	(39,890)	7,810
Issuance of shares to non-controlling interests		-	-	-	-	-	-	-	6,493	6,493
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	(32,079)	(32,079)
At 31 December 2013		304,152	46,955	22,150	30,529	3,391	99,242	506,419	213,937	720,356
		Note 15	Note 15	Note 15	Note 15	Note 15	Note 15			

Statements of changes in equity

for the year ended 31 December 2014 (Cont'd)

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Capital reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		Attributable to Owners of the Company										
		Non-distributable							Distributable			
At 1 January 2014		304,152	46,955	22,150	30,529	3,391	-	-	99,242	506,419	213,937	720,356
Foreign currency translation differences for foreign operations		-	-	-	(28,294)	-	-	-	-	(28,294)	6,317	(21,977)
Total other comprehensive income for the year		-	-	-	(28,294)	-	-	-	-	(28,294)	6,317	(21,977)
Profit for the year		-	-	-	-	-	-	-	4,608	4,608	32,299	36,907
Total comprehensive income for the year		-	-	-	(28,294)	-	-	-	4,608	(23,686)	38,616	14,930
Issuance of shares	15	24,605	34,452	(22,150)	-	-	-	-	-	36,907	-	36,907
Own shares acquired		-	-	-	-	-	-	(4,034)	-	(4,034)	-	(4,034)
Share-based payment transactions	17	-	-	-	-	162	-	-	-	162	-	162
Dividends to owners	27	-	-	-	-	-	-	-	(20,230)	(20,230)	-	(20,230)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(45,036)	(45,036)
Share options exercised		8,563	3,530	-	-	(3,071)	-	-	-	9,022	-	9,022
		33,168	37,982	(22,150)	-	(2,909)	-	(4,034)	(20,230)	21,827	(45,036)	(23,209)

Statements of changes in equity

for the year ended 31 December 2014 (Cont'd)

Group	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Capital reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← Attributable to Owners of the Company →										
			← Non-distributable →						Distributable			
Total transactions with owners of the Company		33,168	37,982	(22,150)	-	(2,909)	-	(4,034)	(20,230)	21,827	(45,036)	(23,209)
Issuance of shares to non-controlling interests		-	-	-	-	-	-	-	-	-	(20)	(20)
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	(48)	(48)
Disposal of interest in subsidiaries		-	-	-	-	-	-	-	-	-	(105,899)	(105,899)
Government grants received		-	-	-	-	-	35,856	-	-	35,856	-	35,856
Government grants transferred from retained earnings		-	-	-	-	-	27,332	-	(27,332)	-	-	-
At 31 December 2014		337,320	84,937	-	2,235	482	63,188	(4,034)	56,288	540,416	101,550	641,966
		Note 15	Note 15	Note 15	Note 15	Note 15			Note 15			

Statements of changes in equity

for the year ended 31 December 2014 (Cont'd)

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Distributable (Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
		← Non-distributable				→		
At 1 January 2013		260,869	36,627	22,150	3,909	-	(6,714)	316,841
Profit and total comprehensive income for the year		-	-	-	-	-	31,164	31,164
Issue of ordinary shares	15	27,013	4,592	-	-	-	-	31,605
Share-based payment transactions	17	-	-	-	4,667	-	-	4,667
Share options exercised		16,270	5,736	-	(5,185)	-	-	16,821
Dividends to owners	27	-	-	-	-	-	(5,393)	(5,393)
Total transactions with owners of the Company		43,283	10,328	-	(518)	-	(5,393)	47,700
At 31 December 2013/1 January 2014		304,152	46,955	22,150	3,391	-	19,057	395,705
Profit and total comprehensive income for the year		-	-	-	-	-	67,628	67,628
Issue of ordinary shares	15	24,605	34,452	(22,150)	-	-	-	36,907
Share-based payment transactions	17	-	-	-	162	-	-	162
Own shares acquired		-	-	-	-	(4,034)	-	(4,034)
Share options exercised		8,563	3,530	-	(3,071)	-	-	9,022
Dividends to owners	27	-	-	-	-	-	(20,230)	(20,230)
Total transactions with owners of the Company		33,168	37,982	(22,150)	(2,909)	(4,034)	(20,230)	21,827
At 31 December 2014		337,320	84,937	-	482	(4,034)	66,455	485,160
		Note 15	Note 15	Note 15	Note 15			

The notes on pages 91 to 169 are an integral part of these financial statements.

Statements of cash flows

for the year ended 31 December 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit/(loss) before tax				
- continuing operations	5,656	(30,756)	68,100	31,417
- discontinued operations	35,264	96,326	-	-
	40,920	65,570	68,100	31,417
Adjustments for:				
Amortisation of concession intangible assets	4,072	1,304	-	-
Amortisation of government grant	-	(656)	-	-
Amortisation of intangible assets	-	412	-	-
Depreciation of property, plant and equipment	6,624	4,218	-	-
Dividend income	-	-	(66,584)	(398)
Equity settled share-based payment transactions	162	4,667	162	1,359
Finance costs	2,171	21,037	-	5,052
Finance income	(8,463)	(17,642)	(4,864)	(3,314)
Gain on disposal of property, plant and equipment	(50)	(2,559)	-	-
Gain on disposal of equity interest in subsidiaries	(68,996)	(26,108)	-	(51,435)
Impairment loss on other investments	-	86	-	-
Loss on disposal of property, plant and equipment	20	226	-	-
Share of profit of equity-accounted associate, net of tax	(2,370)	(3,173)	-	-
Property, plant and equipment written off	4,782	3,203	-	-
Unrealised (gain)/loss on foreign exchange	(848)	122	(8,271)	3,162
Operating (loss)/profit before changes in working capital	(21,976)	50,707	(11,457)	(14,157)
Changes in trade and other receivables	39,931	(117,737)	4,022	(10,299)
Changes in inventories	(119,994)	(2,820)	-	-
Changes in trade and other payables	(31,495)	60,521	(16,434)	30,224
Cash (used in)/generated from operations	(133,534)	(9,329)	(23,869)	5,768
Interest paid	(2,171)	(21,037)	-	(5,052)
Tax (paid)/refund	(3,410)	(10,981)	(18)	24
Net cash used in operating activities	(139,115)	(41,347)	(23,887)	740
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,708)	(5,878)	-	-
Acquisition of concession intangible assets	-	(24,131)	-	-
Acquisition of investment properties	-	-	-	-
Acquisition of joint ventures	(23,896)	-	(23,500)	-
Acquisition of subsidiary, net of cash acquired	(13,497)	(32,687)	-	(32,687)
Proceeds from disposal of discontinued operations, net of cash & cash equivalents disposed of	237,315	141,122	-	171,537
Dividends received from				
- Associated company	3,544	3,652	-	-
- Subsidiaries	-	-	66,584	-
Interest received	8,463	-	4,864	3,314
Proceeds from disposal of property, plant and equipment	153	2,876	-	-
Release of amount placed with debts service reserve accounts	-	4,402	-	-
Subscription to shares in subsidiaries	-	-	(7)	-
Net cash from/(used in) investing activities	210,374	89,356	47,941	142,164

Statements of cash flows

for the year ended 31 December 2014 (Cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid to non-controlling interests	(44,756)	(1,935)	-	-
Dividends paid to owners of the company	(20,230)	(5,393)	(20,230)	(5,393)
Net proceeds from issue of share capital	45,929	48,426	45,929	48,426
Repayment of finance lease liabilities	(4,381)	(4,634)	-	-
Proceeds from government grant	35,856	-	-	-
Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	3	6,493	-	-
Drawdown from borrowings	76,000	126,390	-	-
Repayment of borrowings	(4,576)	(235,214)	-	(86,540)
Repurchase of treasury shares	(4,034)	-	(4,034)	-
Net cash from/(used in) financing activities	79,811	(65,867)	21,665	(43,507)
Net increase/(decrease) in cash and cash equivalents	151,070	(17,858)	45,719	99,397
Cash and cash equivalents at 1 January	146,427	110,406	104,130	4,733
Effect of exchange rate fluctuations on cash held	(4,105)	53,879	-	-
Cash and cash equivalents at 31 December	293,392	146,427	149,849	104,130

Cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	191,342	32,859	74,299	16,984
Cash and bank balances	103,110	114,539	75,841	87,146
Bank overdrafts	(1,060)	(971)	(291)	-
	293,392	146,427	149,849	104,130

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,828,000 (2013: RM6,646,000), of which RM120,000 (2013: RM768,000) were acquired by means of finance leases.

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 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate and/or joint venture. The financial statements of the Company as at and for the financial year ended 31 December 2014 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 29 April 2015.

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 ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

Notes to the financial statements

(Cont'd)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1 which is not applicable to the Company.

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and Amendments to MFRS 141 which are not applicable to the Company.

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

- The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

Notes to the financial statements
(Cont'd)

1. Basis of preparation (continued)

(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 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 Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 2(p) - contract revenue
- Note 4 - measurement of the recoverable amounts of cash generating units
- Note 5 - valuation of recoverability and impairment of receivables
- Note 6 - valuation of investment properties
- Note 11 - recognition of unutilised tax losses

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

Notes to the financial statements

(Cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

(iii) Accounting for non-controlling interests

The Group accounts 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. 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 an available-for-sale 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. The costs of the investment include 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.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

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

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses unless the investment is classified as held for sale. 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 venture 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 of equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of 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 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.

Notes to the financial statements
(Cont'd)

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 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 available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, 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, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 which are reported using the exchange rates at the dates of the acquisitions. 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 foreign currency translation reserve ("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 while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and 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 instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables.

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

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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

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

Notes to the financial statements

(Cont'd)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or designated as an effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(iii) Financial guarantee contracts

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

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

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. 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.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(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 impairment losses, if any.

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.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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 part 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 part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

Notes to the financial statements

(Cont'd)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

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

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(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, 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.

(ii) Concession rights

Concession 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.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the water concession rights ranging from 30 to 50 years.

(iii) Concession intangible assets

Under IC Interpretation 12, *Service Concession Arrangements*, the infrastructure assets incurred that establish the right granted by the concession grantor to charge users of public services are treated as concession intangible assets.

Infrastructure assets comprised assets which are constructed by the Group in exchange for the right of the Group to charge users of the public service infrastructure that it has constructed or upgraded and are stated at the fair value of construction services delivered including certain mark ups on the actual cost incurred. The capital work-in-progress relating to these assets is not amortised until the assets are fully completed and brought to use.

Concession intangible assets are stated at cost less accumulated amortisation and impairment loss.

(iv) 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.

(v) Subsequent expenditure

Subsequent expenditure on capitalised concession intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(vi) 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.

Concession rights and concession intangible assets are amortised from the date that they are available for use. Amortisation of concession rights and concession intangible assets are recognised in profit or loss on a straight-line basis over the estimated useful lives of the assets.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(vi) Amortisation (continued)

The estimated useful lives are as follows:

• Intangible assets	30 - 50 years
• Concession intangible assets	30 - 50 years
• Land use rights	67½ years

Concession rights and concession intangible assets are tested for impairment whenever there is an indication that they may be impaired.

(g) Investments properties

(i) Investment properties carried at fair value

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

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

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

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

(ii) Reclassification to/from investment property

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

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

2. Significant accounting policies (continued)

(h) Inventories

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

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

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

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

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 stock of completed units.

(i) Non-current assets held for sale

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

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

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

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

(j) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. For qualifying contracts, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets, investment property that is 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.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Warrant reserve

Free warrants with rights issue are accounted for in accordance with Financial Reporting Standards Interpretation Committee ("FRSIC") Consensus 8/2008, which require free warrants to be accounted for in accordance with the substance and economic reality of the transactions and accordingly, a value is assigned to the warrants using a reasonable and appropriate method of allocation.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(n) Employee benefits

(i) Short term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

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

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

(iv) Share-based payment transactions

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

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

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(iv) Share-based payment transactions (continued)

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

(o) Provisions

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

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 disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

(p) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue when the sales are recognised.

Notes to the financial statements

(Cont'd)

2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs or completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iii) 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. The stage of completion is assessed by reference to surveys of work performed.

(iv) Rental income

Rental income from investment 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. Rental income from subleased property is recognised as other income.

(v) Dividend income

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

(vi) Interest income

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

(q) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

2. Significant accounting policies (continued)

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and 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 liabilities and assets 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.

Notes to the financial statements
(Cont'd)

2. Significant accounting policies (continued)

(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 ("EPS") data for its ordinary shares.

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.

(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) Service concession arrangements

The Group has entered into several service concession arrangements with the People's Republic of China ("PRC") government to construct/upgrade water treatment plants and operate the water treatment plants and wastewater treatment plants for a period ranging from 30 to 50 years. The terms of the arrangement allow the Group to maintain and manage these treatment plants and charge consumers based on the water usage and rates as determined by the grantor for concession period.

A substantial portion of the Group's assets are within the framework of concession contracts granted by the government ("the grantor"). In order to fall within the scope of concession contract, a contract must satisfy the following two criteria:

- The grantor controls or regulates what services the operator must provide with the infrastructure assets, to whom it must provide them, and at what price; and
- The grantor controls the significant residual interest in the infrastructure assets at the end of the term of the arrangement.

Such infrastructure assets are not recognised by the Group as property, plant and equipment and prepaid lease payment but as intangible assets as described in Note 2(f)(iii) or financial assets as described in Note 2(c)(ii)(b).

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2(c)(ii)(b).

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users of the public service. Intangible assets resulting from the application of this policy are recorded in the statement of financial position as "Concession intangible assets" and are amortised on a straight line basis over the concession rights ranging from 30-50 years.

Under the intangible asset model, revenue includes revenue from the construction of the infrastructure assets and concession revenue from operating the infrastructure.

2. Significant accounting policies (continued)

(x) Fair value measurement

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

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

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

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

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

Notes to the financial statements
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3. Property, plant and equipment

Group Cost	Land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2013	1,156	409	1,189	32,173	5,637	55,221	95,785
Additions	-	3,904	26	2,094	622	-	6,646
Transfer to assets held for sale (Note 13)	-	-	-	(4,323)	(1,975)	-	(6,298)
Disposals	-	-	-	(829)	(617)	-	(1,446)
Write-off	-	-	(73)	(418)	(130)	(3,151)	(3,772)
Effect of movements in exchange rates	-	-	-	15	7	5,203	5,225
At 31 December 2013/1 January 2014	1,156	4,313	1,142	28,712	3,544	57,273	96,140
Additions	-	-	1,216	245	367	-	1,828
Transfer between categories	-	-	57,273	-	-	(57,273)	-
Disposals	-	-	-	(1,262)	(8)	-	(1,270)
Write-off	-	-	(4,778)	-	(6)	-	(4,784)
Effect of movements in exchange rates	-	-	340	2	7	-	349
At 31 December 2014	1,156	4,313	55,193	27,697	3,904	-	92,263

Notes to the financial statements
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3. Property, plant and equipment (continued)

Group Depreciation	Land RM'000	Freehold buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2013	70	93	711	9,692	4,000	-	14,566
Depreciation for the year	4	32	189	3,066	317	-	3,608
Transfer to assets held for sale (Note 13)	-	-	-	(2,628)	(1,219)	-	(3,847)
Disposals	-	-	-	(553)	(350)	-	(903)
Write-off	-	-	(42)	(407)	(120)	-	(569)
Effect of movements in exchange rates	-	-	-	3	170	-	173
At 31 December 2013/1 January 2014	74	125	858	9,173	2,798	-	13,028
Depreciation for the year	4	43	3,242	2,915	357	-	6,561
Disposals	-	-	-	(1,141)	(6)	-	(1,147)
Write-off	-	-	-	-	(2)	-	(2)
Effect of movements in exchange rates	-	-	-	3	4	-	7
At 31 December 2014	78	168	4,100	10,950	3,151	-	18,447
Carrying amounts							
At 1 January 2013	1,086	316	478	22,481	1,637	55,221	81,219
At 31 December 2013/1 January 2014	1,082	4,188	284	19,539	746	57,273	83,112
At 31 December 2014	1,078	4,145	51,093	16,747	753	-	73,816

Assets under finance lease

Included in property, plant and equipment of the Group are motor vehicles and plant and machinery acquired under finance lease agreements with net book value of RM15,517,000 (2013: RM19,790,000).

Notes to the financial statements
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4. Intangible assets

Group Cost	Note	Goodwill RM'000	Concession rights RM'000	Concession intangible assets RM'000	Land use rights RM'000	Total RM'000
At 1 January 2013		3,683	13,191	143,711	-	160,585
Additions		-	-	24,131	-	24,131
Transfer to assets held for sale	13	-	(10,572)	(183,501)	-	(194,073)
Disposal		-	(2,694)	-	-	(2,694)
Effect of movements in exchange rates		-	75	15,659	-	15,734
At 31 December 2013/1 January 2014		3,683	-	-	-	3,683
Additions	35.1	-	-	-	18,148	18,148
At 31 December 2014		3,683	-	-	18,148	21,831
Accumulated amortisation						
At 1 January 2013		-	1,977	19,904	-	21,881
Amortisation for the year		-	412	1,304	-	1,716
Transfer to assets held for sale	13	-	(2,389)	(24,568)	-	(26,957)
Effect of movements in exchange rates		-	-	3,360	-	3,360
At 31 December 2013/1 January 2014		-	-	-	-	-
Amortisation for the year		-	-	-	-	-
At 31 December 2014		-	-	-	-	-
Carrying amounts						
At 1 January 2013		3,683	11,214	123,807	-	138,704
At 31 December 2013/1 January 2014		3,683	-	-	-	3,683
At 31 December 2014		3,683	-	-	18,148	21,831

Notes to the financial statements
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4. Intangible assets (continued)

Goodwill

Impairment testing for cash-generating units containing goodwill

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

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

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

- Based on past experience and actual operating results attained in both 2013 and 2014, 3 years cash flow projections were prepared. An average growth rate of 5 percent (2013: 5 percent) was incorporated into the projections.

- A pre-tax discount rate of 10 percent (2013: 10 percent) was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the average of the Group's working cost of capital adjusted to the risk of the underlying assets.

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

(i) An increase of 100 basis point in the discount rate used would not result in impairment losses.
(ii) A 10% decrease in future planned revenue would have not result in impairment losses.

Concession rights

The concession rights of the Group comprises the water concession rights are for duration of 30 years for subsidiaries in China, namely, Linyi Salcon Water Company Limited, Haining Salcon Water Company Limited, Nan An Salcon Water Company Limited, Changle Salcon Raw Water Company Limited and of 50 years for Shandong Changle Salcon Water Company Limited. They were reclassified to assets held for sale in view of the disposal program (see Note 13).

Concession intangible assets

Concession intangible assets comprises fair value of the consideration receivable for the construction services delivered during the stage of constructing, including a mark-up based on market rate on the costs incurred for constructing water treatment plants for subsidiaries in China, namely Linyi Salcon Water Company Limited and Shandong Changle Salcon Water Company Limited. They were reclassified to assets held for sale in view of the disposal program (see Note 13).

Land use rights

Land use rights represent the right acquired by the group entity over a parcel of land for a duration until year 2082. The Group intend to utilise the land for mixed development project.

Notes to the financial statements

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5. Trade and other receivables

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current					
Trade					
Trade receivables	5.1	83,603	105,082	-	-
Amount due from contract customers	5.2	48,106	55,967	-	-
		131,709	161,049	-	-
Non-trade					
Amount due from an associate	5.3	6,330	5	-	-
Amount due from subsidiaries	5.4	-	-	173,476	174,762
Other receivables	5.5	55,969	45,784	-	-
Deposits	5.6	2,885	27,130	29	-
Prepayments		9,098	8,613	6,569	1,063
		74,282	81,532	180,074	175,825
		205,991	242,581	180,074	175,825

5.1 Included in trade receivables of the Group are retention sums amounting to RM20,671,000 (2013: RM19,184,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group	
	2014 RM'000	2013 RM'000
Within 1 year	2,443	3,246
1 - 2 years	2,789	6,158
2 - 3 years	12,664	7,973
3 - 4 years	1,124	402
4 - 5 years	1,651	1,405
	20,671	19,184

5.2 Amount due from contract customers

	Group	
	2014 RM'000	2013 RM'000
Aggregate costs incurred to date	692,526	412,614
Add: Attributable profit	77,099	41,970
	769,625	454,584
Less: Progress billings	(735,709)	(404,129)
	33,916	50,455
Amount due to contract customers (Note 18)	14,190	5,512
Amount due from contract customers	48,106	55,967

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM6,474,000 (2013: RM5,752,000) and RM944,000 (2013: RM917,000) respectively.

Notes to the financial statements

(Cont'd)

5. Trade and other receivables (continued)

5.3 The amount due from an associate is non-trade, unsecured, interest free and repayable upon demand.

5.4 The amount due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM114.7 million (2013: RM114.8 million) which bear interest 2% (2013: 2%) per annum.

5.5 Included in other receivables of the Group are as follows:

i) Compensation receivable of RM31,074,000 from Changzhou City District Office following the termination of the water concession agreement in 2012. The amount is receivable before 1 November 2015.

ii) Allowance for impairment losses made against doubtful receivables was RM449,000 (2013: RM476,000).

5.6 In 2013, included in deposits was an amount of RM17.7 million paid by a subsidiary to a third party to acquire 2 pieces of lands in Bandar Johor Bahru. The transaction was completed in 2014.

6. Investment properties

	Group	
	2014	**2013**
	RM'000	**RM'000**
At fair value		
At beginning and end of the year	8,446	8,446

Included in the above are:

	Group	
	2014	**2013**
	RM'000	**RM'000**
Freehold land	319	319
Freehold land and buildings	511	511
Leasehold land and buildings with unexpired lease period of more than 50 years	7,616	7,616
	8,446	8,446

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Rental income	-	28
Direct operating expenses:		
- income generating investment properties	5	7

The titles to the leasehold land and buildings with carrying amount of RM7,122,000 (2013: RM7,122,000) are in the process of being transferred to the subsidiaries.

Notes to the financial statements
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6. Investment properties (continued)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2014 Level 3 RM'000	2014 Total RM'000	2013 Level 3 RM'000	2013 Total RM'000
Land	319	319	319	319
Buildings	8,127	8,127	8,127	8,127
	8,446	8,446	8,446	8,446

Level 3 fair value

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

After considering the market condition, the Directors are of the view that the fair values of the investment properties as at 31 December 2014 approximate those at 31 December 2013 which were determined based on the sales comparison approach then.

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 (RM37 to RM361)	The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

Notes to the financial statements
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7. Investments in subsidiaries

	Company 2014 RM'000	Company 2013 RM'000
At cost		
Unquoted shares	156,817	156,810
Unquoted preference shares	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)
	157,227	157,220

Details of the subsidiaries are as follows:-

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	Effective ownership interest and voting interest 2013 %
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 company	60	60
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant	51	51
Salcon Changzhou (HK) Limited +	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary	100	100
Salcon Water International Limited +	Hong Kong	Dormant	100	100
Salcon Capital Sdn. Bhd.	Malaysia	Investment holding company	100	100
Salcon Power (HK) Limited +	Hong Kong	Dormant	100	100
Salcon Water (HK) Limited +	Hong Kong	Dormant	100	100

Notes to the financial statements
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7. Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
Salcon Development Sdn. Bhd.	Malaysia	Investment holding company	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Dormant	70	100
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	100
Satria Megajuta Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Power Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd. (f.k.a. Salcon Resources Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Operation and maintenance of water treatment plants	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60
Glitteria Sdn. Bhd. @^	Malaysia	Provision of engineering works	50	50
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Corporation Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon (Perak) Sdn. Bhd. @^	Malaysia	Dormant	40	40
Tanjung Jutaria Sdn. Bhd. ^	Malaysia	Dormant	100	100

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7. Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of Salcon Engineering Berhad: (continued)				
Salcon (Sarawak) Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Holdings (Mauritius) Limited ^	Mauritius	Investment holding	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiaries of Salcon Water (Asia) Limited:				
Salcon Fujian (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary	-	60
Salcon Linyi (HK) Limited Ω+	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary	60	60
Salcon Zhejiang (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary	-	60
Salcon Shandong (HK) Limited Ω	Hong Kong	Investment holding company involved in water supply projects in the People's Republic of China via its subsidiary	-	60

Notes to the financial statements
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7. Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of Salcon Water (Asia) Limited: (continued)				
Salcon Services (HK) Limited +	Hong Kong	Investment holding company involved in investment advisory in the People's Republic of China via its subsidiary	60	60
Subsidiary of Salcon Fujian (HK) Limited:				
Nan An Salcon Water Company Limited Ω	People's Republic of China	Design, build and operate of water transmission in Fujian Province	-	39
Subsidiary of Salcon Linyi (HK) Limited:				
Linyi Salcon Water Company Limited Ω+	People's Republic of China	Management and operation of water production and distribution of water in Linyi City	36	36
Subsidiaries of Linyi Salcon Water Company Limited:				
Linyi Runcheng Supply Project Company Limited Ω	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment	36	36
Linyi Salcon Water Supply Facilities Company Limited Ω	People's Republic of China	Repair and maintenance of municipal water supply pipeline, equipment, water supply equipment	36	36
Subsidiary of Salcon Zhejiang (HK) Limited:				
Haining Salcon Water Company Limited Ω	People's Republic of China	Management and operation of water production and sale of water in Haining City, ZheJiang Province	-	36

Notes to the financial statements
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7. Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiaries of Salcon Shandong (HK) Limited:				
Shandong Changle Salcon Water Company Limited Ω	People's Republic of China	Management and operation of water production and distribution of water in Changle County, Shandong Province	-	60
Changle Salcon Raw Water Company Limited. Ω	People's Republic of China	Design, build and operate of water transmission in Changle County, Shandong Province	-	60
Subsidiary of Salcon Services (HK) Limited:				
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. +	People's Republic of China	Consultancy services for investment, operation and strategy business	60	60
Subsidiary of Salcon Changzhou (HK) Limited:				
Changzhou Salcon Wastewater Treatment Company Limited +	People's Republic of China	Management and operation of wastewater treatment plant in Changzhou City	100	100
Subsidiary of Salcon Power Sdn Bhd:				
Salcon Green Energy (UK) Ltd. *	United Kingdom	Dormant	100	100
Subsidiary of Salcon Capital Sdn Bhd:				
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51	51

Notes to the financial statements
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7. Investments in subsidiaries (continued)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2014 %	2013 %
Subsidiary of Salcon Holdings (Mauritius) Limited:				
Salcon Engineering (India) Pte. Ltd. *	India	Construction, development and maintenance of water, sewage and wastewater treatment plants.	100	100
Subsidiary of Salcon Water International Limited:				
Salcon Investment Consultation (Shanghai) Company Limited ^	People's Republic of China	Consultancy services for investment, operation and strategy business.	100	100
Subsidiaries of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd.	Malaysia	Property development	50	50
Nusantara Megajuta Sdn. Bhd.	Malaysia	Property development	50	50
Prestasi Kemas Sdn. Bhd.	Malaysia	Property development	70	-
Subsidiary of Eco-Coach & Tours (M) Sdn Bhd:				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	100	100

\+ Audited by other member firms of KPMG International.

^ Audited by other firms of accountants.

@ Although the Group owns less than 50% of the voting power of Salcon (Perak) Sdn. Bhd. ("SPSB") and Glitteria Sdn. Bhd. ("GSB"), 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 SPSB and GSB respectively. Consequently, the Group consolidates its investments in these companies.

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

Ω Entities ear-marked for disposal.

Notes to the financial statements
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7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries

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

	Salcon Water (Asia) Limited RM'000	Envitech Sdn Bhd RM'000
2014		
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	71,528	17,759
Profit allocated to NCI	29,141	2,181
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	139,804	13,218
Current assets	161,580	62,120
Non-current liabilities	(17,176)	(638)
Current liabilities	(70,642)	(30,301)
Net assets	213,566	44,399
Year ended 31 December		
Revenue	-	91,411
Profit for the year	85,292	5,441
Total comprehensive income	85,292	5,441
Cash flows (used in)/from operating activities	(40,785)	610
Cash flows from/(used in) investing activities	264,223	(59)
Cash flows used in financing activities	(109,756)	(847)
Net increase/(decrease) in cash and cash equivalents	113,682	(296)
Dividends paid to NCI	43,903	560

Notes to the financial statements
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7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries (continued)

	Salcon Water (Asia) Limited RM'000	Envitech Sdn Bhd RM'000
2013		
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	49,679	16,418
Profit allocated to NCI	447	2,749
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	151,717	13,896
Current assets	2,070	50,897
Non-current liabilities	-	(730)
Current liabilities	(27,035)	(23,717)
Net assets	126,752	40,346
Year ended 31 December		
Revenue	1,182	65,032
Profit for the year	1,118	6,873
Total comprehensive income	631	6,873
Cash flows (used in)/from operating activities	(1)	1,475
Cash flows from/(used in) investing activities	7,045	(3,570)
Cash flows used in financing activities	(6,201)	(1,156)
Net increase/(decrease) in cash and cash equivalents	843	(3,251)
Dividends paid to NCI	2,480	280

8. Investment in an associate

	Group	
	2014 RM'000	2013 RM'000
At cost		
Unquoted shares	11,800	11,800
Unquoted preference shares	10,000	10,000
Share of post-acquisition reserves	5,874	6,050
	27,674	27,850

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8. Investment in an associate (continued)

Details of the associate are as follows:

Name of entity	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2014	Effective ownership interest and voting interest 2013
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	2014 RM'000	2013 RM'000
Summarised financial information		
As at 31 December		
Non-current assets	28,738	33,022
Current assets	23,080	16,142
Current liabilities	(817)	(694)
Net assets	51,001	48,468
Year ended 31 December		
Profit from continuing operations	8,420	7,934
Other comprehensive income	2,668	2,818
Total comprehensive income	11,088	10,752
Included in the total comprehensive income is:		
Revenue	24,028	23,257
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	20,400	19,388
Carrying amount in the statement of financial position	27,674	27,850
Group's share of results for the year ended 31 December		
Group's share of profit or loss from continuing operations	3,368	3,173
Other information		
Dividends received	8,860	9,130

Notes to the financial statements
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9. Investment in joint ventures

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
At cost				
Unquoted shares	23,896	-	23,500	-
Share of post-acquisition reserves	(998)	-	-	-
	22,898	-	23,500	-

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	9.1	50% plus 1 share	-
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	9.2	36%	-
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	9.3	36%	-

9.1 On 7 May 2014, the Group has acquired 50% plus one ordinary share, representing 200,001 ordinary shares of RM1.00 each in Volksbahn Technologies Sdn. Bhd. ("VTSB") for a total cash consideration of RM23.5 million. Pursuant to the terms and nature of the shareholders agreement, the Group's investment in VTSB constitute a joint arrangement as the entity is jointly control 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").

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.

Notes to the financial statements

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9. Investment in joint ventures (continued)

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

		2014	
	VTSB	**L1***	**L2***
Percentage of ownership interest	50%	36%	36%
Percentage of voting interest	50%	36%	36%
Summarised financial information			
As at 31 December			
Non-current assets	3,484	-	-
Current assets	15,078	39,534	24,575
Non-current liabilities	(370)	-	-
Current liabilities	(2,733)	(38,564)	(22,743)
Cash and cash equivalents	7,351	2,191	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(370)	-	-
Current financial liabilities (excluding trade and other payables and provisions)	(94)	-	-
Year ended 31 December			
(Loss)/Profit from continuing operations	(3,220)	(30)	1,732
Total comprehensive (loss)/income	(3,220)	(30)	1,732

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

Notes to the financial statements
(Cont'd)

9. Investment in joint ventures (continued)

	2014		
	VTSB RM'000	L1* RM'000	L2* RM'000
Included in the total comprehensive income:			
Revenue	-	24,689	24,460
Depreciation and amortisation	(77)	-	-
Interest income	99	-	-
Interest expense	(12)	-	-
Total comprehensive income	10	24,689	24,460
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	7,729	349	659
Carrying amount in the statement of financial position	7,729	349	659
Group's share of results for the year ended 31 December			
Group's share of loss from continuing operations	(1,610)	(11)	623
Group's share of total comprehensive (loss)/ income	(1,610)	(11)	623

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

10. Other investments

Group	Total RM'000	Unquoted shares RM'000	Other investment RM'000
2014			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,815)	(175)	(4,640)
	-	-	-
2013			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,815)	(175)	(4,640)
	-	-	-

Notes to the financial statements
(Cont'd)

10. Other investments (continued)

Company	Total RM'000	Unquoted shares RM'000	Other investment RM'000
2014			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
2013			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

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	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Land use rights	-	-	(4,537)	-	(4,537)	-
Property, plant and equipment	-	-	(1,591)	(944)	(1,591)	(944)
Provisions	112	29	-	-	112	29
Other items	-	-	(3,418)	(3,418)	(3,418)	(3,418)
Tax losses carry-forward	5,769	5,607	-	-	5,769	5,607
Unabsorbed capital allowances	202	190	-	-	202	190
Tax assets/(liabilities)	6,083	5,826	(9,546)	(4,362)	(3,463)	1,464
Set off of tax	(219)	(153)	219	153	-	-
Net tax assets/(liabilities)	5,864	5,673	(9,327)	(4,209)	(3,463)	1,464

In recognising the deferred tax assets attributable to unutilised tax losses carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carry-forwards amounting to approximately RM23.1 million will not be available to the Group, resulting in a decrease in deferred tax assets of RM5.5 million.

Notes to the financial statements
(Cont'd)

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		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other deductible temporary differences	56	-	-	-
Unabsorbed capital allowance	872	848	-	-
Unutilised tax losses	37,938	3,196	-	-
	38,866	4,044	-	-

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

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

Group	At 1.1.2013 RM'000	Disposal of Subsidiaries RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2013/ 1.1.2014 RM'000	Acquisition of a subsidiary RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2014 RM'000
Land use rights	-	-	-	-	(4,537)	-	(4,537)
Property, plant and equipment	(1,288)	-	344	(944)	-	(647)	(1,591)
Provisions	4	-	25	29	-	83	112
Other items	(5,712)	2,368	(74)	(3,418)	-	-	(3,418)
Tax losses carry-forward	2,835	-	2,772	5,607	-	162	5,769
Unabsorbed capital allowance	86	-	104	190	-	12	202
	(4,075)	2,368	3,171	1,464	(4,537)	(390)	(3,463)

Notes to the financial statements
(Cont'd)

12. Inventories

	Note	Group 2014 RM'000	Group 2013 RM'000
At cost:			
Spares		824	1,652
Properties under development	12.1	145,237	24,415
		146,061	26,067

12.1 Properties under development comprises:

	Group 2014 RM'000	Group 2013 RM'000
Land held for property development	120,913	21,214
Development costs	24,324	3,201
	145,237	24,415

Included in development costs was interest expense capitalised amounting to RM2,715,000 (2013: RM270,000). The lands held for property development were charged to the financial institution for the facilities granted to group entities.

13. Disposal group held for sale

In 2013, the Group entered into a sale and purchase agreement with a third party to dispose off its businesses in People's Republic of China through the disposal of its shares in the intermediate holding companies in Hong Kong (see Note 7). The financial statements of the ongoing disposal group is presented as a disposal group held for sale in view of the ongoing disposal program. Extension of time has been granted and the final tranche is expected to complete in 2015. At 31 December 2014, the assets and liabilities of the disposal group are as follows:

	Note	Group 2014 RM'000	Group 2013 RM'000
Assets classified as held for sale			
Property, plant and equipment	a	1,709	2,451
Intangible assets	b	105,792	167,116
Trade and other receivables	c	11,882	459,375
Inventories	d	2,368	2,948
Cash and cash equivalents		20,291	28,843
		142,042	660,733

Notes to the financial statements

(Cont'd)

13. Disposal group held for sale (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000
Liabilities classified as held for sale			
Trade and other payables		63,481	88,988
Defined benefits liabilities	17	4,692	-
Loans and borrowings		17,176	190,087
Current tax liabilities		-	2,929
		85,349	282,004

Note a

Property, plant and equipment held for sale comprise the following:

	Group 2014 RM'000	Group 2013 RM'000
Cost	3,077	6,298
Accumulated depreciation	(1,368)	(3,847)
	1,709	2,451

During the year, the Group acquired property, plant and equipment with aggregate cost of RM368,000 and the depreciation charge was RM63,000.

In 2014, property, plant and equipment with aggregate cost and accumulated depreciation of RM3,589,000 and RM2,542,000 respectively have been disposed of along with other assets and liabilities held under disposal group.

Note b

Intangible assets held for sale comprise the following:

	Group 2014 RM'000	Group 2013 RM'000
Cost	135,547	194,073
Accumulated amortisation	(29,755)	(26,957)
	105,792	167,116

During the year, the Group acquired intangible assets with aggregate cost of RM18,563,000 and the amortisation was RM4,072,000.

In 2014, intangible assets with aggregate cost and accumulated amortisation of RM77,089,000 and RM1,274,000 respectively have been disposed of along with other assets and liabilities held under disposal group.

Note c

Receivables are carried at cost less impairment loss.

Note d

The inventories held for sale comprise raw materials and consumables and are carried at cost.

Notes to the financial statements
(Cont'd)

14. Cash and cash equivalents

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Deposits placed with licensed banks				
- Malaysia	74,532	31,925	74,299	16,984
- Outside Malaysia	116,811	934	-	-
	191,343	32,859	74,299	16,984
Cash and bank balances				
- Malaysia	101,077	101,364	75,841	87,146
- Outside Malaysia	2,033	13,175	-	-
	103,110	114,539	75,841	87,146
	294,453	147,398	150,140	104,130

15. Capital and reserves

Share capital

	Group and Company			
	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Authorised:				
Ordinary shares of RM0.50 each	500,000	1,000,000	500,000	1,000,000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM0.50 each				
At 1 January	304,152	608,304	260,869	521,738
Issued for cash under Employees Share Option Scheme	8,563	17,126	16,270	32,541
Issued for cash under conversion of Warrants 2007/2014	24,605	49,210	-	-
Issued for cash under private placement	-	-	27,013	54,025
At 31 December	337,320	674,640	304,152	608,304

Notes to the financial statements
(Cont'd)

15. Capital and reserves (continued)

Ordinary shares

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.

Warrant reserve

The warrant reserve relates to reserves allocated to free detachable warrants issued with rights issue effective on 18 May 2007.

The proceeds received were allocated between the equity instruments using the proportionate fair value basis to account for the free warrants. In 2008, the assignment of fair value to the free warrants had resulted in a reallocation of RM22,384,000 from the share premium account to the warrant reserve account. Upon the exercise of warrants, the proportionate amount of warrant reserve is transferred to the share premium account.

Treasury shares

The Company repurchased 6,665,000 ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.61 per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM4.03 million and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

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.

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 17.

Capital reserve

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

Notes to the financial statements
(Cont'd)

16. Loans and borrowings

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current				
Finance lease liabilities	3,780	8,225	-	-
Term loans (unsecured)	11,171	12,692	-	-
Term loans (secured)	70,000	-	-	-
	84,951	20,917	-	-
Current				
Bank overdrafts (unsecured)	1,060	971	291	-
Bankers' acceptances (unsecured)	-	2,106	-	-
Revolving credits (unsecured)	-	1,000	-	-
Term loans (unsecured)	2,010	1,958	-	-
Term loans (secured)	6,000	-	-	-
Finance lease liabilities	4,524	4,339	-	-
	13,594	10,374	291	-
	98,545	31,291	291	-

16.1 Term loans

Secured term loans are secured via the following:

a) 1st party 1st, 2nd, 3rd and 4th legal charge over the lands owned by a group entity with carrying amount of RM21,214,000 (Note 12).
b) 1st party 2nd legal charge over the lands owned by a group entity with carrying amount of RM99,699,000 (Note 12).
c) Corporate guarantee from the Company and the Non Controlling Interest of the group entities.
d) Assignment of rights and benefits arising from the insurance policies taken by the Company, construction contracts and contractor's performance bond.

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

Notes to the financial statements
(Cont'd)

16. Loans and borrowings (continued)

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 2014	Interest RM'000 2014	Present value of minimum lease payments RM'000 2014	Future minimum lease payments RM'000 2013	Interest RM'000 2013	Present value of Minimum lease payments RM'000 2013
Group						
Less than one year	4,912	(388)	4,524	5,002	(663)	4,339
Between one and five years	3,903	(123)	3,780	8,729	(504)	8,225
	8,815	(511)	8,304	13,731	(1,167)	12,564

16.3 Repayment term

The repayment term of the term loans are as follows:

	Under 1 year RM'000 2014	2014 1 to 5 years RM'000 2014	More than 5 years RM'000 2014	Under 1 year RM'000 2013	2013 1 to 5 years RM'000 2013	More than 5 years RM'000 2013
Group						
Term loan (secured)	6,000	70,000	-	-	-	-
Term loan (unsecured)	2,010	10,576	595	1,958	12,117	575
	8,010	80,576	595	1,958	12,117	575

17. Employee benefits

Retirement benefits

	Note	Group 2014 RM'000	Group 2013 RM'000
Defined benefit liability	13	4,692	-

As part of the retrenchment exercise undertaken by one of the group entities, the Group offered a compensation scheme to the affected personnel. Under the scheme, personnel/staff will be paid a monthly compensation which represents a portion of their last drawn salary prior to the retrenchment until these employees reached the formal retirement age of 55 years old.

Notes to the financial statements
(Cont'd)

17. Employee benefits (continued)

***Retirement benefits* (continued)**

Principal actuarial assumptions used at the end of the reporting period (expressed as weighted average) are set out at below.

	Group	
	2014 RM'000	2013 RM'000
Discount rate	12%	-
Weighted average duration of compensation obligation	6 years	-

Equity compensation benefits

Share option plan

The Group offers Employees Share Option Scheme ("ESOS") to its employees as a form of reward.

The terms and conditions of the grants are as follows; all options are to be settled by physical delivery of shares:

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Option granted to Executive Directors and eligible employees on 9 July 2010	31,499	Eligible employees are confirmed staff with at least one year service as at the date of offer including Executive Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	5 years
Option granted to a Director and eligible 1 July 2011	1,647	Eligible employees are confirmed staff with at least one year service as at the date of offer including Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	4 years

Notes to the financial statements
(Cont'd)

17. Employee benefits (continued)

Equity compensation benefits (continued)

Share option plan (continued)

Grant date/ employees entitled	Number of options '000	Vesting conditions	Contractual life of options
Option granted to Non-Executive Directors and eligible employees on 2 July 2012	6,198	Eligible employees are confirmed staff with at least one year service as at the date of offer including Non-Executive Directors of any company comprised in the Group. One-third (1/3) of the total option is exercisable equally in year one (1), year two (2) and year three (3) respectively.	3 years
Option granted to Executive Directors, Non-Executive Directors, and eligible employees on 14 May 2013	30,135	Eligible employees are confirmed staff with at least one year service as at the date of offer including Executive Directors, Non-Executive Directors and Directors of any company comprised in the Group. The entire option is exercisable immediately on grant date.	2 years
Total share options	69,479		

Movements in the number of share options held by employees are as follows:

	Weighted average exercise price RM	Group and Company 2014 '000	Group and Company 2013 '000
Outstanding at 1 January	0.55	21,085	25,095
Granted during the year	0.50	-	30,135
Lapsed during the year	0.55	(881)	(1,604)
Exercised during the year	0.52	(17,126)	(32,541)
Outstanding at 31 December	0.53	3,078	21,085

The options outstanding at 31 December 2014 have exercise price ranged between RM0.50 to RM0.57 (2013: RM0.52 to RM0.57) and a weighted average contractual life of 2 years (2013: 3 years).

During the year, 17,125,600 share options were exercised. The weighted average share price at the date of exercise for the year was RM0.55 (2013: RM0.54).

Notes to the financial statements
(Cont'd)

17. Employee benefits (continued)

Equity compensation benefits (continued)

Share option programme

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a Black-Scholes model, with the following inputs:

Fair value of share options and assumptions	2013
Fair value at grant date	RM0.15
Weighted average share price	RM0.55
Exercise price	RM0.50
Expected volatility (weighted average volatility)	1.90%
Option life (expected weighted average life)	2 years
Risk-free interest rate (based on Malaysian government bonds)	4.240%

In 2014, there were no share options granted to the employee, accordingly the fair value and the assumptions are not presented.

Value of employee services received for issue of share options

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Expenses recognised as share-based payments	162	4,667	162	4,667

18. Trade and other payables

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade					
Trade payables		30,567	56,043	-	-
Accrued expenses		16,939	-	-	-
Amount due to contract customers	5	14,190	5,512	-	-
		61,696	61,555	-	-
Non-trade					
Amount due to an associate	18.1	-	2	-	-
Amount due to subsidiaries	18.2	-	-	11,611	8,714
Amount due to joint venture	18.3	7,500	-	-	-
Other payables	18.4	41,735	75,330	14,275	30,741
Accrued expenses		2,567	30,618	186	3,051
		51,802	105,950	26,072	42,506
		113,498	167,505	26,072	42,506

Notes to the financial statements
(Cont'd)

18. Trade and other payables (continued)

18.1 In 2013, the amount due to an associate was unsecured, interest free and repayable upon demand.

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

18.3 The amount due to joint venture is unsecured, interest free and repayable on demand.

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

i) RM4.9 million (2013: RM2.7 million) being amount due to non-controlling interest of a subsidiary for business operation funding. The amount is unsecured, bearing interest of 8.1% (2013: 8.1%) and repayable upon demand.

ii) RM6.9 million (2013: RM30.2 million) being deposit received by the Company from Beijing Enterprises Water Group Limited as part of the consideration for the disposal of subsidiaries (see Note 13).

iii) RM560,000 (2013: RM280,000) being dividend payable by a subsidiary to non-controlling interest.

19. Revenue

	Continuing operations		Discontinued operation (see Note 23)		Total	
Group	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Sales	1,916	1,950	-	-	1,916	1,950
Services	15,404	14,381	-	-	15,404	14,381
Construction	177,145	148,281	-	-	177,145	148,281
Operating concession revenue	-	-	69,404	202,864	69,404	202,864
	194,465	164,612	69,404	202,864	263,869	367,476
Company						
Dividends	66,584	398	-	-	66,584	398

20. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Directors of the Company:				
- Fees	142	150	142	150
- Remuneration	5,124	4,405	1,540	1,405
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	165	173	34	72
- Share-based payments	153	1,852	153	918
	5,584	6,580	1,869	2,545

Notes to the financial statements
(Cont'd)

21. Finance costs

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Finance costs on:				
- Bank overdraft	16	42	-	-
- Loans	1,251	5,747	-	5,052
- Other borrowings	661	1,492	-	-
	1,928	7,281	-	5,052

22. Tax expense

Recognised in profit or loss

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Income tax expense on continuing operations	3,742	(1,077)	472	253
Income tax expense on discontinued operation	271	9,070	-	-
Share of tax of equity-accounted associates	466	462	-	-
Total income tax expense	4,479	8,455	472	253

Major components of income tax expense include:

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Income tax expense				
Malaysian - current year	4,085	3,096	1,209	405
- prior year	(733)	(475)	(737)	(152)
Overseas - current year	271	8,543	-	-
Total income tax recognised in profit or loss	3,623	11,164	472	253
Deferred tax expense				
Origination and reversal of temporary differences	584	(2,968)	-	-
Over provision from prior year	(194)	(203)	-	-
Total deferred tax recognised in profit or loss	390	(3,171)	-	-
Share of tax of equity-accounted associates	466	462	-	-
Total tax expense	4,479	8,455	472	253

Notes to the financial statements
(Cont'd)

22. Tax expense (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reconciliation of tax expense				
Profit for the year	36,907	57,577	67,628	31,164
Total income tax expense	4,479	8,455	472	253
Profit excluding tax	41,386	66,032	68,100	31,417
Income tax calculated using Malaysian tax rate of 25% (2013: 25%)	10,230	16,508	17,025	7,854
Effect of tax rates in foreign jurisdictions	(2,244)	(1,369)	-	-
Non-deductible expenses	5,847	6,098	830	1,870
Tax exempt income	(17,249)	(11,950)	(16,646)	(9,319)
Effect of deferred tax assets not recognised	8,706	-	-	-
Effect of deferred tax assets previously not recognised	-	(154)	-	-
	5,406	9,133	1,209	405
Over provision in prior years	(927)	(678)	(737)	(152)
	4,479	8,455	472	253

23. Discontinued operation

In November 2013, the Group entered into 2 separate agreements, being SPA-A and SPA-B with a third party to sell its China operations. SPA-A covers Salcon Jiangsu (HK) Limited and Salcon Darco Environmental Pte Ltd and their respective subsidiaries whilst SPA-B covers Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, Salcon Shandong (HK) Limited, Salcon Linyi (HK) Limited and their respective subsidiaries operating in People's Republic of China.

The disposal transactions under SPA-A had been completed in 2013 whilst the disposal transactions under SPA-B had been completed in 2014 apart from Salcon Linyi (HK) Limited.

Profit attributable to the discontinued operation was as follows:

	Note	Group	
		2014 RM'000	2013 RM'000
Revenue	19	69,404	202,864
Expenses		(103,407)	(141,716)
Results from operating activities, net of tax		(34,003)	61,148
Gain on sale of discontinued operation		68,996	26,108
Profit for the year		34,993	87,256

Notes to the financial statements
(Cont'd)

23. Discontinued operation (continued)

	Note	Group 2014 RM'000	Group 2013 RM'000
Included in results from operating activities are:			
Depreciation of property, plant and equipment		63	610
Amortisation of intangible assets		4,072	1,716
Finance income		63	912
Finance cost		243	13,756
Cash flows from/(used in) discontinued operation			
Net cash from operating activities		5,028	59,672
Net cash from/(used in) investing activities		18,837	(63,370)
Net cash (used in)/from financing activities		(331)	8,643
Effect on cash flows		23,534	4,945

Effect of disposal on the financial position of the Group

	2014 RM'000	2013 RM'000
Property, plant and equipment	1,047	376
Intangible assets	75,815	2,694
Trade and other receivables	435,105	229,391
Inventories	892	208
Cash and cash equivalents	16,043	26,078
Deferred tax liabilities	-	(2,367)
Trade and other payables	(46,099)	(31,005)
Current tax liabilities	(1,747)	(356)
Borrowings	(172,580)	(35,651)
Exchange equalisation	(18,214)	(9,656)
Non-controlling interest	(105,900)	(38,620)
Net assets and liabilities	184,362	141,092
Gain on sale of discontinued operations	68,996	26,108
Consideration received, satisfied in cash	253,358	167,200
Cash and cash equivalent disposed of	(16,043)	(26,078)
Net cash inflow	237,315	141,122

Notes to the financial statements

(Cont'd)

24. Profit for the year

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Profit for the year is arrived at after charging:				
Allowance for impairment losses				
- Trade receivables	1,382	277	-	-
- Other receivables	109	114	-	-
Amortisation of concession intangible assets	4,072	1,304	-	-
Amortisation of intangible assets	-	412	-	-
Auditors' remuneration				
- Audit fees				
- Current year				
KPMG Malaysia	335	274	90	50
Overseas affiliates of KPMG Malaysia	216	493	-	-
Other auditors	133	74	-	-
- Underprovision in prior year				
KPMG Malaysia	109	61	106	55
- Non-audit fees				
- KPMG Malaysia	48	270	40	40
Depreciation of property, plant and equipment	6,624	4,218	-	-
Impairment of other investment	-	86	-	-
Loss on disposal of property, plant and equipment	20	226	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	2,115	1,953	378	353
- Share-based payments	162	4,667	158	1,859
- Wages, salaries and others	48,116	47,538	4,403	3,079
Property, plant and equipment written off	4,782	3,203	-	-
Realised loss on foreign exchange	1,199	1,672	1,094	593
Rental of expense in respect of:				
- Equipment	121	63	-	-
- Land	-	3	-	-
- Premises	1,342	1,074	-	-
Unrealised loss on foreign exchange	939	320	1,342	589
and after crediting:				
Allowance for impairment losses no longer required				
- Trade receivables	690	23	-	-
Amortisation of government grant	-	656	-	-
Dividend income from subsidiaries (unquoted)	-	-	66,584	398
Gain on disposal of equity interest in subsidiaries	68,996	26,108	-	51,435
Gain on disposal of property, plant and equipment	50	2,559	-	-
Finance income:				
- Subsidiaries	-	-	2,597	3,032
- Others	8,463	2,099	2,267	282
- Concession receivables	-	15,543	-	-
Realised gain on foreign exchange	7,870	6,883	62	995
Rental income on premises	237	204	-	-
Rental income on investment properties	-	22	-	-
Unrealised gain on foreign exchange	1,787	198	9,613	3,751

Notes to the financial statements
(Cont'd)

25. Other comprehensive (expenses)/income

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2014			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(3,763)	-	(3,763)
- Reclassification to profit or loss on disposal of subsidiaries	(18,214)	-	(18,214)
	(21,977)	-	(21,977)
2013			
Foreign currency translation differences for foreign operations			
- Gains arising during the year	48,166	-	48,166
- Reclassification to profit or loss on disposal of subsidiaries	(9,656)	-	(9,656)
	38,510	-	38,510

26. (Loss)/Earnings per ordinary share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per share at 31 December 2014 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
2014			
(Loss)/Profit attributable to ordinary shareholders	(21,361)	25,969	4,608
2013			
(Loss)/Profit attributable to ordinary shareholders	(32,068)	57,012	24,944

Weighted average number of ordinary shares

	Group	
	2014 '000	2013 '000
Weighted average number of ordinary shares at 31 December	648,496	553,774

	2014 Sen	2013 Sen
From continuing operations	(3.29)	(5.79)
From discontinued operations	4.00	10.29
Basic earnings per ordinary share	0.71	4.50

Notes to the financial statements

(Cont'd)

26. (Loss)/Earnings per ordinary share (continued)

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2014 was based on (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders (diluted)

	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
Group			
2014			
(Loss)/Profit attributable to ordinary shareholders (diluted)	(21,361)	25,969	4,608
2013			
(Loss)/Profit attributable to ordinary shareholders (diluted)	(32,068)	57,012	24,944

	Group	
	2014 '000	**2013 '000**
Weighted average number of ordinary shares at 31 December (basic)	648,496	553,774
Effect of share option on issue	487	16,938
Weighted average number of ordinary shares at 31 December (diluted)	648,983	570,712

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options and call warrants was based on quoted market prices for the period during which the options were outstanding.

	Group	
	2014 Sen	**2013 Sen**
From continuing operations	(3.29)	(5.62)
From discontinued operation	4.00	9.99
Diluted earnings per ordinary share	0.71	4.37

Notes to the financial statements
(Cont'd)

27. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2014			
Special first and final 2013 ordinary (single tier)	3.0	20,230	8 August 2014
2013			
Final 2012 ordinary (single tier)	1.0	5,393	27 August 2013

After the end of the reporting period, the following special final dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

	Sen per share
Special final ordinary (single tier)	3.0

28. 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 Group's Chief Operating Officer (the chief operating decision maker) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

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

The 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 Group's Chief Operating Officer (the chief operating decision maker). 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 Group's Chief Operating Officer. 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 Group's Chief Operating Officer, 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 property, plant and equipment and intangible assets other than goodwill.

Notes to the financial statements
(Cont'd)

28. Operating segments (continued)

2014	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operations) RM'000	Total RM'000
Segment profit	23,913	4,548	(4,763)	(1,273)	22,425	35,508	57,933
Included in the measure of segment profit are:							
Revenue from external customers	177,145	1,203	16,117	-	194,465	69,404	263,869
Share of profit of associate	-	3,368	-	-	3,368	-	3,368
Share of profit of joint venture	612	-	(1,610)	-	(998)	-	(998)
Not included in the measure of segment profit but provided to Chief Operating Officer:							
Depreciation and amortisation	(1,074)	-	(5,347)	(140)	(6,561)	(63)	(6,624)
Finance costs	(39)	-	(1,244)	(645)	(1,928)	(243)	(2,171)
Finance income	2,623	5	2,900	2,872	8,400	63	8,463
Income tax expense	(2,525)	-	(686)	(531)	(3,742)	(271)	(4,013)
Segment assets	344,771	28,354	270,501	132,702	776,328	174,061	950,389
Included in the measure of segment assets are:							
Investment in associate	-	27,674	-	-	27,674	-	27,674
Investment in joint venture	1,008	-	21,890	-	22,898	-	22,898
Additions to non-current assets other than financial instruments and deferred tax assets	373	-	1,425	30	1,828	18,837	20,665

Notes to the financial statements

(Cont'd)

28. Operating segments (continued)

2013	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operations) RM'000	Total RM'000
Segment profit	8,823	4,337	(1,479)	(1,978)	9,703	95,953	105,656
Included in the measure of segment profit are:							
Revenue from external customers	148,281	1,164	15,167	-	164,612	202,864	367,476
Share of profit of associate	-	3,173	-	-	3,173	-	3,173
Share of profit of joint venture	-	-	-	-	-	-	-
Not included in the measure of segment profit but provided to Chief Operating Officer:							
Depreciation and amortisation	(1,234)	(26)	(2,253)	(95)	(3,608)	(2,326)	(5,934)
Finance costs	(5,855)	(2)	(1,424)	-	(7,281)	(13,756)	(21,037)
Finance income	946	9	219	13	1,187	16,455	17,642
Income tax expense	865	45	(165)	332	1,077	(9,070)	(7,993)
Segment assets	332,121	28,487	126,708	58,531	545,847	660,733	1,206,580
Included in the measure of segment assets are:							
Investment in associate	-	27,850	-	-	27,850	-	27,850
Additions to non-current assets other than financial instruments and deferred tax assets	4,460	1	1,661	416	6,538	23,842	30,380

Notes to the financial statements

(Cont'd)

28. Operating segments (continued)

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

	2014 RM'000	2013 RM'000
Profit		
Total profit or loss for reportable segments	22,425	9,703
Depreciation and amortisation	(6,561)	(3,608)
Finance costs	(1,928)	(7,281)
Finance income	8,400	1,187
Unallocated expenses:		
Corporate expenses	(16,680)	(30,757)
Consolidated profit/(loss) before tax from continuing operations	5,656	(30,756)
Profit from discontinued operations, net of tax	34,993	87,256
Consolidated profit before tax	40,649	56,500

Geographical segments

The constructions and concessions are managed on a worldwide basis, but operations are in Malaysia, China, Sri Lanka and Vietnam.

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 investment in associate) and deferred tax assets.

	Geographical information			
	Revenue 2014 RM'000	Non current assets 2014 RM'000	Revenue 2013 RM'000	Non current assets 2013 RM'000
Malaysia	134,864	84,292	139,063	71,470
China	-	-	-	-
Sri Lanka	22,567	-	16,595	-
Vietnam	28,388	-	-	15
Other countries	8,646	76,238	8,954	57,279
	194,465	160,530	164,612	128,764
Assets classified as held for sale	69,404	107,501	202,864	555,155
	263,869	268,031	367,476	683,919

Notes to the financial statements
(Cont'd)

29. Financial instruments

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables (L&R);
(b) Fair value through profit or loss (FVTPL);
(c) Available-for-sale financial assets (AFS); and
(d) Other liabilities (OL).

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2014				
Financial assets				
Group				
Trade and other receivables	196,893	196,893	-	-
Cash and cash equivalents	294,453	294,453	-	-
	491,346	491,346	-	-
Company				
Trade and other receivables	173,505	173,505	-	-
Cash and cash equivalents	150,140	150,140	-	-
	323,645	323,645	-	-
Financial liabilities				
Group				
Loans and borrowings	(98,545)	(98,545)	-	-
Trade and other payables	(113,498)	(113,498)	-	-
	(212,043)	(212,043)	-	-
Company				
Loans and borrowings	(291)	(291)	-	-
Trade and other payables	(26,072)	(26,072)	-	-
	(26,363)	(26,363)	-	-

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (OL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2013				
Financial assets				
Group				
Trade and other receivables	233,968	233,968	-	-
Cash and cash equivalents	147,398	147,398	-	-
	381,366	381,366	-	-
Company				
Trade and other receivables	174,762	174,762	-	-
Cash and cash equivalents	104,130	104,130	-	-
	278,892	278,892	-	-
Financial liabilities				
Group				
Loans and borrowings	(31,291)	(31,291)	-	-
Trade and other payables	(167,505)	(167,505)	-	-
	(198,796)	(198,796)	-	-
Company				
Trade and other payables	(42,506)	(42,506)	-	-

29.2 Net losses and gain arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net (losses)/gain arising on:				
Loans and receivables	15,181	(70)	12,075	3,161
Financial liabilities measured at amortised cost	(1,928)	(7,281)	-	(5,052)
	13,253	(7,351)	12,075	(1,891)

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

29.4 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 amounts due from subsidiaries and financial guarantees given for the banking facilities granted to the subsidiaries.

Receivables

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, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement 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.

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

	Group	
	2014	**2013**
	RM'000	**RM'000**
Domestic	111,184	139,402
Sri Lanka	16,753	16,642
Vietnam	8,905	30,018
China	43,567	34,350
Others	16,484	13,556
	196,893	233,968

At date of statement of financial position, there were no significant concentrations of credit risk.

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Impairment losses

The ageing of trade receivables as at the end of the reporting period was summarised as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2014			
Not past due	106,747	-	106,747
Past due 1 - 30 days	368	-	368
Past due 31 - 120 days	1,031	-	1,031
Past due more than 120 days	40,472	(16,909)	23,563
	148,618	(16,909)	131,709
2013			
Not past due	95,114	-	95,114
Past due 1 - 30 days	4,123	-	4,123
Past due 31 - 120 days	18,916	-	18,916
Past due more than 120 days	59,113	(16,217)	42,896
	177,266	(16,217)	161,049

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

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

	2014 RM'000	2013 RM'000
At 1 January	(16,217)	(19,892)
Impairment loss recognised	(1,382)	(277)
Impairment loss reversed	690	23
Transfer	-	3,929
At 31 December	(16,909)	(16,217)

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries 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 statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have been overdue for less than a year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM14,241,000 (2013: RM18,727,000) representing the outstanding amount of banking facilities of the subsidiaries that was supported by the financial guarantee issued by the Company as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on their repayments.

The financial guarantees have not been recognised since the fair value on initial recognition were not material.

29.5 Liquidity risk

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

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

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.5 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:

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2014							
Non-derivative financial liabilities							
Term loans (unsecured)	13,181	4.25-5.85%	14,038	2,523	2,442	6,837	2,236
Term loans (secured)	76,000	4.90%	76,614	800	6,300	69,514	-
Bank overdraft (unsecured)	1,061	7.60-9.10%	1,061	1,061	-	-	-
Finance lease liabilities	8,304	6.14-6.45%	8,814	4,912	3,646	256	-
Trade and other payables	113,498	-	113,498	113,498	-	-	-
	212,044		214,025	122,794	12,388	76,607	2,236
Company							
Non-derivative financial liabilities							
Bank overdraft (unsecured)	291	7.60-9.10%	291	291	-	-	-
Trade and other payables	26,072	-	26,072	26,072	-	-	-
	26,363		26,363	26,363	-	-	-
2013							
Non-derivative financial liabilities							
Bankers' acceptances (unsecured)	2,106	4.75%	2,106	2,106	-	-	-
Revolving credits (unsecured)	1,000	4.75%	1,000	1,000	-	-	-
Term loans (unsecured)	14,650	5.57%	16,264	3,227	11,810	460	767
Bank overdraft (unsecured)	971	7.60% to 9.10%	971	971	-	-	-
Finance lease liabilities	12,564	2.25% to 6.50%	13,731	5,002	4,971	3,758	-
Trade and other payables	167,505	-	167,505	167,505	-	-	-
	198,796		201,577	179,811	16,781	4,218	767
Company							
Non-derivative financial liabilities							
Trade and other payables	42,506		42,506	42,506	-	-	-

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.6 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.

29.6.1 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 Euro (EUR), United States Dollar (USD), Japanese Yen (JPY), Vietnamese Dong (VND) and Sri Lanka Rupee (LKR).

Risk management objectives, policies and processes for managing the risk

The Group and the Company 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		
	EUR	**USD**	**JPY**	**VND**	**LKR**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2014					
Trade receivables	-	2,054	560	3,450	5,479
Cash and cash equivalents	123	64,891	3,951	1,114	4,564
Trade payables and other payables	-	-	(606)	(5,700)	(13,549)
Amount due from contract customers	-	-	1,577	3,241	3,494
Net exposure	123	66,945	5,482	2,105	(12)
2013					
Trade receivables	63	1,984	-	5,669	400
Cash and cash equivalents	44	6,350	187	215	5,000
Trade payables and other payables	-	-	(10,947)	(8,945)	(19,171)
Amount due from contract customers	-	-	4,410	506	779
Net exposure	107	8,334	(6,350)	(2,555)	(12,992)

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Currency risk sensitivity analysis

Foreign currency risk arises from Group entities which have Ringgit Malaysia 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 following currencies against RM at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		Profit or loss	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
EUR	9	8	9	8
USD	5,021	625	5,021	625
JPY	411	(476)	411	(476)
VND	158	(192)	158	(192)
LKR	(1)	(974)	(1)	(974)
	5,598	(1,009)	5,598	(1,009)

A 10 percent weakening of the above currencies against RM 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.

29.6.2 Interest rate risk

The Group's investments in fixed rate debt securities and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group 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 uses fixed rate finance lease agreements to finance capital expenditure. Deposits are placed with established banks or financial institutions at the prevailing market rate.

Notes to the financial statements
(Cont'd)

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets	191,343	119,656	74,299	103,781
Financial liabilities	8,303	15,670	-	-
Floating rate instruments				
Financial liabilities	90,242	15,621	291	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does 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
2014				
Floating rate instruments	(677)	677	(2)	2
2013				
Floating rate instruments	(117)	117	-	-

Notes to the financial statements

(Cont'd)

29. Financial instruments (continued)

29.7 Fair value information

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

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate a reliable fair value without incurring excessive costs.

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 statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 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										
2014										
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(76,000)	(76,000)	(76,000)	(76,000)
Term loans (unsecured)	-	-	-	-	-	-	(13,181)	(13,181)	(13,181)	(13,181)
Finance lease liabilities	-	-	-	-	-	-	(8,071)	(8,071)	(8,071)	(8,303)
	-	-	-	-	-	-	(97,252)	(97,252)	(97,252)	(97,484)
2013										
Financial liabilities										
Term loans (unsecured)	-	-	-	-	-	-	(14,650)	(14,650)	(14,650)	(14,650)
Finance lease liabilities	-	-	-	-	-	-	(11,545)	(11,545)	(11,545)	(12,564)
	-	-	-	-	-	-	(26,195)	(26,195)	(26,195)	(27,214)

Notes to the financial statements

(Cont'd)

29. Financial instruments (continued)

29.7 Fair value information (continued)

Level 2 fair value

Non-derivative financial 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 market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

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

Non-derivative financial asset and liabilities

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

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

Interest rates used to determine fair value

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

	2014	**2013**
Finance lease liabilities	6.14%	6.45%

Notes to the financial statements
(Cont'd)

30. 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 determine an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 December 2014 and 31 December 2013 were as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Total loans and borrowings (Note 16)	98,545	31,291
Less: Cash and cash equivalents (Note 14)	(294,453)	(147,398)
Net debt	(195,908)	(116,107)
Total equity	640,881	720,356
Debt-to-equity ratio	-	-

There were no changes in the Group's approach to capital management during the financial year.

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Company 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 RM40 million. The Company 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.

31. Contingencies

The unrecognised contingencies of the Group and the Company at the end of the reporting period are summarised at below:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	462,155	546,369
Bank guarantee given to third parties relating to performance, tender and advance payment bonds - unsecured	104,584	177,521	-	-
Guarantees given in favour of main contractors of the subsidiaries - unsecured	10,918	10,918	10,918	10,918

Notes to the financial statements
(Cont'd)

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 and the party are subject to common control. Related parties may be individuals or other entities.

The Group has related party relationships with its subsidiaries (see Note 7), associate (see Note 8), Directors and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 20.

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 5 and 18.

	Transaction value year ended 31 December	
	2014 RM'000	**2013 RM'000**
Group		
Affiliated company of a subsidiary		
- management fee expense	1,453	1,403
Entity in which a Director of a subsidiary has interest		
- provision of drivers management services	4,146	3,689
Company		
Subsidiaries		
- interest income	(2,597)	(3,032)
- management fee expense	327	-

Notes to the financial statements
(Cont'd)

33. Operating leases

Lease as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2014 **RM'000**	**2013** **RM'000**
Less than one year	1,230	436
Between one and five years	972	-
	2,202	436

The Group leases offices and office equipment under operating leases. The leases typically run for a period of 3 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

34. Capital and other commitments

	2014 **RM'000**	**2013** **RM'000**
Capital expenditure commitments		
Contracted but not provided for	980	-

35. Acquisition of subsidiary and non-controlling interests

35.1 Acquisition of subsidiary – Prestasi Kemas Sdn. Bhd.

On 30 September 2014, the Group has acquired the 70% equity interest, representing 988,190 ordinary shares of RM1.00 each in Prestasi Kemas Sdn. Bhd. ("PKSB") for total cash consideration of RM13,500,000.

The company was incorporated on 9 July 1994 and its intended principal activity is property development. However, PKSB has remained dormant since incorporation. Accordingly, the contribution of the subsidiary to the Group's consolidated results is not significant.

35. Acquisition of subsidiary and non-controlling interests (continued)

35.1 Acquisition of subsidiary – Prestasi Kemas Sdn. Bhd. (continued)

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

	Note	Group 2014 RM'000
Fair value of consideration transferred		
Cash and cash equivalents		13,500
Identifiable assets acquired and liabilities assumed		
Land use rights	4	18,148
Prepayment		818
Cash and cash equivalents		3
Deferred tax liabilities	11	(4,537)
Trade and other payables		(980)
Total identifiable net assets		13,452
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree		48
		13,500
		-
Net cash outflow arising from acquisition of subsidiary		
Purchase consideration settled in cash and cash equivalents		13,500
Cash and cash equivalents acquired		(3)
		13,497

The land use rights is attributable mainly to the leased land, where PKSB plans to undertake a mixed development project on the said land.

Acquisition – related costs

The Group incurred acquisition-related costs of RM219,097 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in other operating expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Notes to the financial statements

(Cont'd)

35. Acquisition of subsidiary and non-controlling interests (continued)

35.2 Acquisition of non-controlling interests - Salcon Darco Environmental Pte. Ltd.

In July 2013, the Group acquired the remaining 40% interest in Salcon Darco Environmental Pte. Ltd. for RMB63 million (approximately RM32.7 million) in cash, increasing its ownership from 60% to 100%. The carrying amount of Salcon Darco Environmental Pte. Ltd. net assets in the Group's financial statements on the date of the acquisition was RM39.2 million. The non-controlling interest had therefore been derecognised.

The following summarises the effect of changes in the equity interest in Salcon Darco Environmental Pte. Ltd. that is attributable to owners of the Company:

	Group 2013 RM'000
Equity interest at 1 January 2013	11,879
Effect of increase in Company's ownership interest	39,228
Share of comprehensive income	6,938
Disposal of entire interests *	(58,045)
Equity interest at 31 December 2013	-

* The entire interests in the subsidiary had been disposed of subsequently in November 2013 (see Note 23).

36. Employee Share Options Scheme ("ESOS")

Other than the Directors whose interests are disclosed separately in the Directors' Report, the eligible employees of the Group whose share options entitlements are equal to or more than 700,000 share options for the new options granted in 2013 in the Company pursuant to the ESOS are as follows:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2013	Granted	Exercised	At 31.12.2013
Chern Meng Gaik	-	700,000	700,000	-
Eng Boon Chong	-	700,000	700,000	-
Jamiluddin Amini Sulaiman	-	1,006,250	540,000	466,250
Law Woo Hock	-	1,225,000	1,225,000	-
Lee Choon Weng	-	700,000	700,000	-
Lee Thim Loy	-	875,000	875,000	-
Low Beng Peow	-	875,000	875,000	-
Ong Sian	-	700,000	700,000	-
Ooi Cheng Swee	750,000	1,225,000	-	1,975,000

Notes to the financial statements
(Cont'd)

37. Significant events

Significant events during the year are as follows:

i) Completion of disposal of China subsidiaries under SPA-B

SPA-B covers the disposal of Salcon Shandong (HK) Limited, Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited, and Salcon Linyi (HK) Limited and their respective subsidiaries in Changle, Nan An, Haining and Linyi provinces in People's Republic of China for a total consideration of RMB648 million. The transaction has been completed as at end of reporting period apart from Salcon Linyi (HK) Limited, which is reported as disposal group held for sale accordingly (see Note 13).

ii) Joint ventures

On 7 May 2014, the Group has acquired 50% plus one ordinary share, representing 200,001 ordinary shares of RM1.00 each in Volksbahn Technologies Sdn. Bhd. ("VTSB") for a total cash consideration of RM23.5 million. Pursuant to the terms and nature of the shareholders agreement, the Group's investment in VTSB constitute a joint arrangement as the entity is jointly controlled by the Group and the other shareholder.

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

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. 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.

iii) Acquisition of a subsidiary

On 30 September 2014, the Group has acquired 70% of the equity interests, representing 988,190 ordinary shares of RM1.00 each in Prestasi Kemas Sdn. Bhd. for a total cash consideration of RM13.5 million. The effect of the acquisition is shown in Note 35.1.

iv) Material litigation

In 2014, Linyi Raw Water Co Ltd ("Linyi RW") filed a legal claim against Linyi Salcon Water Co Ltd ("Salcon Linyi") for outstanding consideration sum of RMB27.4 million together with interest of RMB6.4 million related to the acquisition of state-owned assets.

In response, Salcon Linyi contested the amount as the purchase consideration was RMB25.1 million, against which Salcon Linyi has paid RMB13.5 million. Salcon Linyi has then filed a counter-claim of RMB18.3 million. The counter-claim was made on the basis that Salcon Linyi has been settling the retrenchment costs on behalf of Linyi RW.

Further to that, Linyi RW has filed another legal claim against Salcon Linyi on the rental of raw water pipelines from 1 January 2006 to 30 November 2014, amounting to RMB26.7 million.

Judgement has been issued against Salcon Linyi. Whilst the appeal is on-going, the Group has fully provided the amounts claimed in the current financial year.

v) Salcon Loh & Loh JV Sdn. Bhd.

On 30 December 2014, its wholly-owned subsidiary, namely Salcon Engineering Berhad, together with Loh & Loh Constructions Sdn. Bhd. have incorporated Salcon Loh & Loh JV Sdn. Bhd. to undertake a project that was awarded by MMC Corporation Berhad.

38. Subsequent event

Subsequent to year end, a wholly-owned subsidiary, Salcon Petroleum Services Sdn. Bhd. has been incorporated on 18 March 2015, with the intended principal activity of provision of petroleum related services.

Notes to the financial statements

(Cont'd)

39. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	132,828	157,832	58,184	15,897
- unrealised	11,387	7,842	8,271	3,160
	144,215	165,674	66,455	19,057
Share of retained earnings of associate				
- realised	5,874	6,050	-	-
Share of retained earnings/(accumulated losses) of jointly controlled entities				
- realised	498	1,496	-	-
	150,587	173,220	66,455	19,057
Less: Consolidation adjustments	(94,299)	(73,978)	-	-
Total retained earnings	56,288	99,242	66,455	19,057

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 82 to 169 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 39 on page 170 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

…………………………………………………………..
Dato' Seri (Dr.) Goh Eng Toon

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

Kuala Lumpur,

Date: 29 April 2015

Statutory declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Law Woo Hock**, the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 170 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Federal Territory on 29 April 2015.

……………………………..
Law Woo Hock

Before me:

Shafie B. Daud
(W350)
Commissioner for Oaths
Kuala Lumpur

Independent auditors' report

to the members of Salcon Berhad

Report on the Financial Statements

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 82 to 169.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and 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, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent auditors' report

to the members of Salcon Berhad (Cont'd)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 39 on page 170 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Tai Yoon Foo
Approval Number: 2948/05/16(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 29 April 2015

Particulars of group properties

The properties of the Group as at 31 December 2014 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, Selangor/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	18 years	14/03/2002	243
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	35 years	15/03/2002	797
Envitech Sdn Bhd	No.79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang. Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	10 years	15/05/2013	1,029
Envitech Sdn Bhd	No.81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang. Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	10 years	15/05/2013	1,236
Eco-Coach & Tours (M) Sdn Bhd	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim. Kedah	1½ storey semi-detached factory	9 years	23/01/2013	792
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim. Kedah	1½ storey semi-detached factory	9 years	23/01/2013	792
					4,889

Particulars of group properties
(Cont'd)

LEASEHOLD LAND

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Salcon Engineering Berhad	HS(D) 216, Plot No. 144, Mukim Ayer Panas, Daerah Jasin, Melaka	1,474 sq. metres of vacant bungalow lot	99 years leasehold expiring on 20/02/2077	31/07/2001	112
Salcon Engineering Berhad	HS(D) 216, Plot No. 145, Mukim Ayer Panas, Daerah Jasin, Melaka	1,087 sq. metres of vacant bungalow lot	99 years leasehold expiring on 20/02/2077	31/07/2001	111
Salcon Engineering Berhad	HS(D) 216, Plot No. 154, Mukim Ayer Panas, Daerah Jasin, Melaka	1,115 sq. metres of vacant bungalow lot	99 years leasehold expiring on 20/02/2077	31/07/2001	111
					334

INVESTMENT PROPERTIES

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Property held under GRN 227594 Lot 5109 (formerly held under HS(D) 62070 PT 2074) Mukim Beranang, District of Ulu Langat, State of Selangor (BM9/2C)	12,000 sq ft of bungalow plot	12 years	28/11/2002	230
Envitech Sdn Bhd	Bungalow Lot No. BB-034 Bandar Mahkota Banting, measuring an area approximately 465 square metres bearing postal address at No. 42, Jalan Angkasa 1A/5 Bandar Mahkota Banting, 42700 Banting, Selangor held under master title Geran 100210 Lot 19601 Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor	465 sq. metres of bungalow plot	6 years	22/10/2009	89
Envitech Sdn Bhd	Industrial Land Lot No. 98 Section 4, Phase 2C, Selangor Halal-Hub Pulau Indah measuring an area approximately 0.50 acre (21,780 square feet) held under master title PN 7939 Lot No. 74076 District and Mukim Kelang, State of Selangor	0.5 acre of industry	6 years	24/07/2009	494

Particulars of group properties
(Cont'd)

INVESTMENT PROPERTIES (continued)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
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	5 years	1/11/2011	795
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	5 years	1/11/2011	353
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG13	920 sq. ft. of intermediate shop	5 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	5 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	5 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	5 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	5 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	5 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	5 years	10/11/2011	306
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	5 years	10/11/2011	406
Envitech Sdn Bhd	Unit No. Parcel 12A, LOT 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	3 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	3 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	3 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 8, LOT 153 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	3 years	22/11/2012	338

Particulars of group properties
(Cont'd)

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 6, LOT 154 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	3 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	3 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	3 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	3 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	3 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	3 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	3 years	22/11/2012	136
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1.	1,555 sq. ft. of service apartment	7 years	5/10/2007	511
					8,446

Particulars of group properties
(Cont'd)

LAND HELD FOR PROPERTY DEVELOPMENT

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Azitin Venture Sdn Bhd	PM 316, Lot 57274, Bandar Selayang, Mukim Batu, Daerah Gombak, Selangor Darul Ehsan	2,186 sq. metres	99 years leasehold expiring on 20/07/2093	28/03/2012	19,960
Azitin Venture Sdn Bhd	PN 93034, Lot 72341 (formerly held under H.S.(D) 48151, P.T. 1440), Bandar Selayang, Mukim Batu, Daerah Gombak, Selangor Darul Ehsan	1,801 sq. metres	99 years leasehold expiring on 13/11/2102	28/03/2012	16,445
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	87,527
					145,237

Analysis of shareholdings

as at 30 April 2015

Authorised share capital		:	RM500,000,000
Issued and paid-up share capital		:	RM337,647,776 (including 174,500 treasury shares held)
Class of shares		:	Ordinary share of RM0.50 each
Voting rights:	On show of hands	:	One vote for each shareholder
	On poll	:	One vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Capital (%)
Less than 100	1,370	69,303	0.010
100 – 1,000	829	479,334	0.071
1,001 – 10,000	3,578	21,469,149	3.180
10,001 – 100,000	2,208	74,675,695	11.061
100,001 – less than 5% of issued shares	440	511,717,971	75.797
5% and above of issued shares	1	66,709,600	9.881
Total	8,426	675,121,052	100.00

List of Substantial Shareholders

	Direct Interest		Indirect Interest	
Name of Substantial Shareholders	No. of Shares	Percentage of Issued Capital (%)	No. of Shares	Percentage of Issued Capital (%)
Naga Muhibah Sdn. Bhd.	66,709,600	9.881	-	-
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.399	29,397,400(1)	4.354
Dato' Seri (Dr.) Goh Eng Toon	2,300,000	0.341	66,709,600(2)	9.881
Datin Goh Phaik Lynn	-	-	300,000(3)	0.044
			3,600,000(4)	0.533
			66,709,600(5)	9.881
Dato' Leong Kok Wah	3,600,000	0.533	300,000(3)	0.044
			66,709,600(6)	9.881
Havenport Asset Management Pte Ltd	-	-	43,403,700(7)	6.429
Tan Keng Sin, Patrick	-	-	43,403,700(8)	6.429
Tern Yuh Sheng, Joseph	-	-	43,403,700(8)	6.429

Notes:

(1) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(2) (i) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 6A of the Companies Act, 1965

(4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 6A of the Companies Act, 1965

(5) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(6) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(7) Deemed Interested through the shares held in aggregate by its client accounts.

(8) Deemed interested through the shares held in aggregate by client accounts managed by Havenport Asset Management Pte Ltd, in which he has a controlling interest.

Analysis of shareholdings

as at 30 April 2015 (Cont'd)

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Issued Capital (%)
1	NAGA MUHIBAH SDN BHD	66,709,600	9.881
2	TAN SRI DATO' TEE TIAM LEE	29,696,400	4.399
3	INFRA TROPIKA SDN BHD	29,397,400	4.354
4	LEE THIAM LAI	28,035,000	4.152
5	KONG HON KONG	27,012,634	4.001
6	WONG SWEE YEE	26,134,390	3.871
7	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR LEGG MASON WESTERN ASSET SOUTHEAST ASIA SPECIAL SITUATIONS TRUST (201061)	18,853,800	2.793
8	HSBC NOMINEES (ASING) SDN BHD HSBC BK PLC FOR ASIA EX JAPAN EQUITY SMALLER COMPANIES (LXG HGIF)	17,886,000	2.649
9	CHOO KENG WENG	15,727,634	2.330
10	HSBC NOMINEES (ASING) SDN BHD TNTC FOR BARING PACIFIC FUND	14,521,300	2.151
11	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR LEGG MASON WESTERN ASSET ASIAN ENTERPRISE TRUST	14,299,800	2.118
12	HSBC NOMINEES (ASING) SDN BHD COUTTS & CO LTD SG FOR BEADLE GROUP LIMITED	13,443,300	1.991
13	TENG LI LING	9,095,400	1.347
14	TAN HENG TA	8,767,000	1.299
15	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CAPRICE CAPITAL INTERNATIONAL LTD	8,000,000	1.185
16	PEMBINAAN PUNCA CERGAS SDN. BHD.	7,450,000	1.104
17	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	7,000,000	1.037
18	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)	6,919,700	1.025

Analysis of shareholdings

as at 30 April 2015 (Cont'd)

List of 30 Largest Shareholders (continued)

No.	Name of Shareholders	No. of Shares	Percentage of Issued Capital (%)
19	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,373,900	0.944
20	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	6,333,900	0.938
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR POH YANG HONG	6,000,000	0.889
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	5,391,100	0.799
23	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	4,700,000	0.696
24	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR DCG ASIA VALUE MASTER FUND	4,637,500	0.687
25	TAN AH LOY @ TAN MAY LING	4,600,000	0.681
26	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (UT-PM-DIV)	4,323,800	0.640
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	3,983,000	0.590
28	DATO' LEONG KOK WAH	3,600,000	0.533
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	3,564,700	0.528
30	POH SOON SIM	3,350,000	0.496
		405,807,258	60.108

Analysis of shareholdings

as at 30 April 2015 (Cont'd)

Director's Shareholdings

Name of Directors	Direct Interest No. of Shares	Direct Interest Percentage of Issued Capital (%)	Indirect Interest No. of Shares	Indirect Interest Percentage of Issued Capital (%)
Dato' Seri (Dr.) Goh Eng Toon	2,300,000	0.341	66,709,600[1]	9.881
Dato' Dr. Freezailah Bin Che Yeom	1,750,400	0.259	-	-
Tan Sri Dato' Tee Tiam Lee	29,696,400	4.399	29,397,400[2]	4.354
Dato' Leong Kok Wah	3,600,000	0.533	300,000[3]	0.044
			66,709,600[4]	9.881
Dato' Choong Moh Kheng	2,800,000	0.415	7,450,000[5]	1.104
Chan Seng Fatt	-	-	-	-

Notes:

(1) (i) Deemed interested through shareholding in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(ii) Deemed interested through shares held by child (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(2) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 6A of the Companies Act, 1965

(4) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(5) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

Notice of Twelfth Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Company will be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 25 June 2015 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 together with the Reports of the Directors and Auditors thereon. **[Please see Note 2]**

2. To approve the payment of the first and special final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2014. **[Resolution 1]**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2014. **[Resolution 2]**

4. To re-elect Tan Sri Dato' Tee Tiam Lee who retires pursuant to Article 96 of the Company's Articles of Association. **[Resolution 3]**

5. To re-elect Chan Seng Fatt who retires pursuant to Article 103 of the Company's Articles of Association. **[Please see Note 3]** **[Resolution 4]**

6. To re-appoint the following Directors who retire pursuant to Section 129(6) of the Companies Act, 1965, to hold office until the next Annual General Meeting:- **[Please see Note 4]**

   a) Dato' Seri (Dr.) Goh Eng Toon **[Resolution 5]**
   b) Dato' Dr. Freezailah Bin Che Yeom **[Please see Note 3]** **[Resolution 6]**

7. To re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration. **[Resolution 7]**

AS SPECIAL BUSINESS

To consider and, if deemed fit, to pass the following Ordinary Resolutions:

8. **Resolution** **[Please see Note 5(a)]**
   Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that authority shall continue in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting." **[Resolution 8]**

Notice of Twelfth Annual General Meeting
(Cont'd)

9. **Resolution** **[Please see Note 5(b)]**
Continuation in Office as an Independent Non-Executive Director

"THAT, subject to the passing of Resolution 6, approval be and is hereby given for Dato' Dr. Freezailah Bin Che Yeom who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." **[Resolution 9]**

10. **Resolution** **[Please see Note 5(c)]**
Proposed Renewal of Authority for Share Buy-Back

"THAT, subject always to the Companies Act, 1965, the provisions of the Articles of Association of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market 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 amount of ordinary shares of RM0.50 each 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 10]**

(i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company as quoted on Bursa Securities as at the point of purchase;

(ii) an amount not exceeding the Company's audited retained profits or/and share premium account at the time of purchase(s) will be allocated by the Company for the purchase of own shares; and

(iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends.

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this Ordinary Resolution and will, subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution (unless earlier revoked or varied by an Ordinary Resolution of the shareholders of the Company in a general meeting) but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant authorities;

AND THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase(s) with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be required or imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends) in accordance with the Companies Act, 1965, the provisions of the Articles of Association of the Company and the requirements and/or guidelines of Bursa Securities for the Main Market and all other relevant governmental and/or regulatory authorities."

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

Notice of Twelfth Annual General Meeting

(Cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Twelfth Annual General Meeting to be held on 25 June 2015, a first and special final single tier dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014 will be paid on 16 July 2015.

The entitlement date for the dividend is 30 June 2015.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 30 June 2015 in respect of transfers; and

(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

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

Kuala Lumpur
Date: 29 May 2015

Notes:-

1. APPOINTMENT OF PROXY

   (a) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, in which event it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
   (b) For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
   (c) Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
   (d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
   (e) The instrument appointing a proxy must be deposited at the Registered Office at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.
   (f) Only members whose names appear in the Record of Depositors as at 18 June 2015 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

   The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this item on the Agenda is not put forward for voting by shareholders of the Company.

Notice of Twelfth Annual General Meeting

(Cont'd)

3. RE-ELECTION AND RE-APPOINTMENT OF INDEPENDENT DIRECTORS

   In line with the Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee and the Board of Directors had undertaken the annual assessment on the independence of Dato' Dr. Freezailah Bin Che Yeom who is seeking for re-appointment pursuant to Section 129 of the Companies Act, 1965, at the forthcoming Twelfth Annual General Meeting. The annual assessment had been disclosed in the Corporate Governance Statement of the Company's 2014 Annual Report. No annual assessment has been undertaken on the independence of Chan Seng Fatt, who is seeking for re-election pursuant to Articles of Association of the Company as he was newly appointed to the Board on 17 December 2014.

4. RE-APPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

   The Resolution 5 and Resolution 6, if passed, will authorise the continuity in office of the Directors (who are over the age of 70 years) until the next Annual General Meeting.

5. Explanatory Notes to Special Business:

   (a) AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot and issue any shares pursuant to the mandate granted to the Directors at the Eleventh Annual General Meeting held on 26 June 2014 as there were no requirements for such fund raising activities.

   The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), by the issuance of shares in the Company to such persons at any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of the next Annual General Meeting of the Company.

   (b) CONTINUATION IN OFFICE AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR

   Pursuant to the Malaysian Code on Corporate Governance 2012, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine years.

   The Nomination Committee and the Board of Directors had assessed the independence of Dato' Dr. Freezailah Bin Che Yeom and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

   (i) he fulfilled the criteria of an Independent Director pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements;
   (ii) he is familiar with the Company's business operations as he has been with the Company for a period of more than nine (9) years;
   (iii) his long tenure with the Company has neither impaired nor compromised his independent judgement. He continues to remain objective and is able to exercise independent judgement in expressing his views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company;
   (iv) he has devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company; and
   (v) he has exercised due care during his tenure as an Independent Director of the Company and carried out his duties in the interest of the Company and shareholders.

   The proposed Resolution 9, if passed, will enable Dato' Dr. Freezailah Bin Che Yeom to continue to act as an Independent Non-Executive Director of the Company.

Notice of Twelfth Annual General Meeting
(Cont'd)

(c) PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The proposed Resolution 10, if passed, will allow the Company to purchase its own shares through Bursa Securities up to 10% of the issued and paid-up share capital of the Company. Please refer to the Statement to Shareholders dated 29 May 2015 in relation to Proposed Renewal of Authority for Share Buy-Back for further details.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of Bursa Securities Main Market Listing Requirements)

Directors who are standing for election at the Twelfth Annual General Meeting are as follows:

1. Dato' Seri (Dr.) Goh Eng Toon
2. Dato' Dr. Freezailah Bin Che Yeom

The profiles of the above Directors are set out in the section entitled "Profile of Directors" on pages 14 to 19. The details of their respective interests in the securities of the Company are set out in the section entitled "Analysis of Shareholdings" on pages 180 to 183.

Proxy Form

I/ We ____
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No. ______________________ of ______________________

____
(FULL ADDRESS)

being a Member/Members of SALCON BERHAD hereby appoint ______________________

______________________ NRIC No. ______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing whom, ______________________ NRIC No. ______________________
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Twelfth Annual General Meeting of the Company to be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Thursday, 25 June 2015 at 10.30 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of the first and special final single tier dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2014.		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2014.		
3.	To re-elect Tan Sri Dato' Tee Tiam Lee as Director.		
4.	To re-elect Chan Seng Fatt as Director.		
5.	To re-appoint Dato' Seri (Dr.) Goh Eng Toon as Director.		
6.	To re-appoint Dato' Dr. Freezailah Bin Che Yeom as Director.		
7.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To grant authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.		
9.	To approve Dato' Dr. Freezailah Bin Che Yeom to continue to act as an Independent Non-Executive Director.		
10.	To approve the Proposed Renewal of Authority for Share Buy-Back		

*(*Please indicate with an "X" in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)*

Dated this _______ day of ___________2015.

CDS Account No. :
Number of shares held:
If more than 1 proxy, please specify number of shares represented by each proxy
Name of Proxy 1:
Name of Proxy 2:

____
Signature of Shareholder or Common Seal
Contact Number:

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote at the meeting except where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, in which event it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.
2. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office at 15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the meeting or any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 18 June 2015 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

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AFFIX
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HERE

SALCON BERHAD (593796-T)

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

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