salcon

INSPIRING SYNERGIES

ANNUAL REPORT 2015

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.

C O R E   V A L U E S

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.

RESULTS
We strive towards maximizing stakeholders' values and returns.

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

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

C O N T E N T S



INSPIRING SYNERGIES

Cover Rationale

Achieving synergy in one's operations is a desirable business outcome, as the sum total of benefits accrued from resources invested would outweigh the simple sum of its parts.

Far from being a mere buzzword at Salcon Berhad, we believe in inspiring synergies at all levels of our workforce to maximise stakeholder value creation. Indeed, given that synergy involves the harmonisation of diverse, disparate components to achieve a greater, unified whole, so Salcon upholds diversity in our human resource strategies and provides equal opportunities for our people to perform at their best. The photomontage of a diverse group of Salcon employees in their respective areas of work reflects our commitment to inspire synergies across the board and drive sustainable growth for the Company.

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

STOCK EXCHANGE LISTING

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

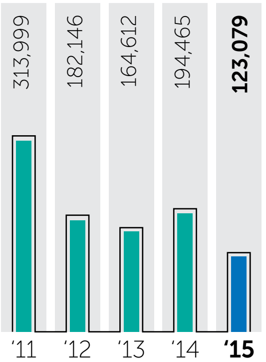
WEBSITE

www.salcon.com.my

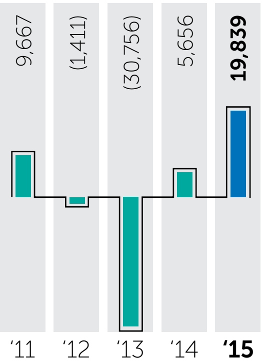
FINANCIAL HIGHLIGHTS

	2011 (restated)	2012 (restated)	2013	2014	2015
Revenue (RM '000)	313,999	182,146	164,612	194,465	123,079
Profit Before Tax (RM '000)	9,667	(1,411)	(30,756)	5,656	19,839
Profit After Tax (RM '000)	25,355	31,462	57,577	36,907	(7,620)
Profit Attributed to Owners of the Company (RM '000)	14,645	11,282	24,944	4,608	5,540
Total Assets (RM '000)	1,081,508	1,227,276	1,206,580	950,387	950,743
Total Liabilities (RM '000)	533,078	585,231	486,224	308,421	346,782
Total Equity Attributable to Owners of the Company (RM '000)	389,398	416,555	506,419	540,416	576,748
No. of Shares Issued ('000)	474,308	521,738	608,304	674,640	677,694
Net Assets per Share Attributable to Owners of the Company (RM)	0.82	0.80	0.83	0.80	0.85
Basic Earnings per Share (sen)	3.09	2.21	4.50	0.71	0.82
Dividend per Share (sen)	1.5	1.0	3.0	3.0	2.0
Return on Equity (%)	3.76	2.71	4.93	0.85	0.96
Share Price (Min) (RM)	0.390	0.405	0.395	0.555	0.555
Share Price (Max) (RM)	0.740	0.640	0.725	1.010	0.955

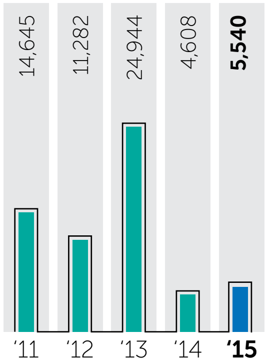
Revenue (RM'000)



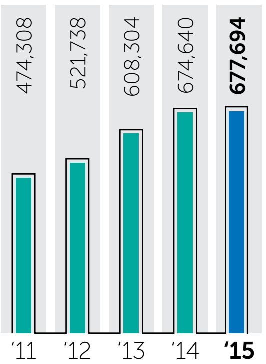
Profit Before Tax (RM'000)



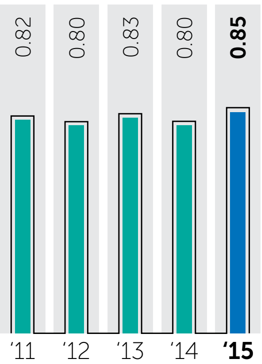
Profit Attributed to Owners of the Company (RM'000)



No. of Shares Issued



Net Assets per Share Attributable to Owners of the Company



CORPORATE STRUCTURE

AS AT 30 MARCH 2016

salcon

- 60% Salcon Water (Asia) Limited
  - 99.99% Salcon Linyi (HK) Limited
  - 99.99% Salcon Services (HK) Limited
  - 1 share (held by Salcon Berhad in each of the above)
- 100% Salcon Power (HK) Limited
- 99% Salcon Water (HK) Limited
  - 1% held by Salcon Engineering Berhad
- 100% Salcon Engineering Berhad
  - 99% Salcon Engineering (India) Pte Ltd
- 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
- 100% Salcon Petroleum Services (Labuan) Limited
- 100% Salcon Capital Sdn Bhd
  - 51.3% Eco-Coach & Tours (M) 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% + 2 shares Volksbahn Technologies Sdn Bhd
- 49% Salcon Petroleum Services Sdn Bhd

Operating Companies

Dormant Companies

CORPORATE STRUCTURE

- 60% Linyi Salcon Water Company Limited
  - 100% Linyi Salcon Water Supply Facilities Company Limited
  - 100% Linyi Runcheng Water Supply Project Company Limited
- 100% Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd.
- 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
- 50% Salcon Loh & Loh JV Sdn Bhd

- 50% + 1 share Azitin Venture Sdn Bhd
- 50.01% Nusantara Megajuta Sdn Bhd
- 70% Prestasi Kemas Sdn Bhd

- 100% Eco Tours Asia Sdn Bhd

Water is a vital source of life. Salcon has committed significant resources to the successful design, construction, commissioning, operation, and maintenance of over 900 water and wastewater treatment facilities across Asia.

PROTECTING OUR LIFE-GIVING RESOURCE

BOARD OF DIRECTORS

DATO' CHOONG MOH KHENG
Independent Non-Executive Director

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

DATO' LEONG KOK WAH
Executive Director

BOARD OF DIRECTORS

CHAN SENG FATT
Independent
Non-Executive Director

DATO' SERI (DR.) GOH ENG TOON
Chairman,
Non-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 82, 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 Asian Institute of Chartered Bankers (AICB) (formerly known as 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.

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).

PROFILE OF DIRECTORS

DATO' LEONG KOK WAH
Executive Director

Dato' Leong Kok Wah, aged 62, was appointed to the Board of Salcon on 1 January 2010.

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

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

Dato' Leong is a Non-Independent Non-Executive Deputy Chairman and shareholder of Eco World Development Group Berhad. He also sits on the Board of MUI Continental Berhad (formerly known as MUI Continental Insurance Berhad).

DATO' DR. FREEZAILAH BIN CHE YEOM

Independent Non-Executive Director

Dato' Dr. Freezailah bin Che Yeom, aged 76, 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

CHAN SENG FATT
Independent Non-Executive Director

Chan Seng Fatt, aged 52, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

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

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

DATO' CHOONG MOH KHENG

Independent Non-Executive Director

Dato' Choong Moh Kheng, aged 60, 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 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.

Salcon ventured into the property development business with its maiden project in the fast growing township of Selayang, Selangor Darul Ehsan.

BUILDING FOR THE FUTURE

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 2015.

"...the Group's balance sheet remains robust with shareholders' funds at **RM576.7 million** whilst cash and cash equivalents stood at **RM277.8 million** as at 31 December 2015."

Kalu Ganga Water Supply Project in Sri Lanka was completed in August 2015.

FINANCIAL PERFORMANCE

During the financial period under review, the Group achieved a total revenue of RM123.1 million, a decrease of 37% compared to RM194.5 million in the previous financial year, as a result of the adoption of equity accounting method on 2 of the major existing construction joint venture projects. Nevertheless, the Group registered a profit before tax of RM19.8 million, an increase of 247% compared to RM5.7 million in the previous year mainly due to the increase in unrealized foreign exchange gains.

During the year, the Group secured various water and wastewater projects with total contract values of more than RM55 million. In addition to that, the Group under its Technology Services Division was awarded two 5+5 year contracts with U Mobile Sdn Bhd and Celcom Networks Sdn Bhd for mobile back haul and site rental for shared infrastructure. The Group's current outstanding order book of RM570 million is expected to be completed within the next 2 to 3 years.

To date, the Group has tendered for RM2.4 billion worth of new projects in Malaysia and overseas and hopes to achieve a success rate of 20%-30% of the projects tendered to replenish our order book. In the meantime, the Group's balance sheet remains robust with shareholders' funds at RM576.7 million whilst cash and cash equivalents stood at RM277.8 million as at 31 December 2015.

the Group secured various water and wastewater projects with total contract values of more than **RM55 million**

CHAIRMAN'S MESSAGE

REWARDING OUR SHAREHOLDERS

For the financial year ended 2015, in line with the Group's commitment towards meeting shareholder's interest, the Group has recommended the payment of the first and final single tier dividend of 2.0 per share which is equivalent to RM13.5 million. The consistent distributions of dividend to the shareholders represent the Group's commitment and ability to deliver growth over the long term.

BUSINESS OUTLOOK & PROSPECTS

Under the Revised Budget 2016, the Malaysian economy is expected to grow, albeit at a slower pace in 2016. Real gross domestic product (GDP) growth is expected to be between 4% and 4.5%, driven by domestic demand and private sector expenditure.

Growth will also be generated by the rollout of programmes under the Eleventh Malaysia Plan (spanning between 2016 to 2020), which will be the foundation for long-term economic growth and quality of life improvements.

As Malaysia moves closer to Vision 2020 of becoming an advanced economy, the focus would not only be on further expanding the physical reach of these essential amenities such as water and wastewater infrastructure, but to improve the efficiency, productivity and affordability of these services and enhancing user experience.

We **look forward** to an **acceleration of water & wastewater contract flows** which will **benefit the group in FYE 2016** and beyond

Aerial view of Langat 2 Water Treatment Plant.

Water & Wastewater

Infrastructure development ensures that the rakyat have access to essential amenities and services such as transport, communications, electricity and clean water. Under the Eleventh Malaysia Plan (11MP), the Government has allocated more than RM12 billion to improve infrastructure rural water projects and water treatment plants (WTPs) for five years.

In the local water sector, apart from the Langat 2 Water Treatment Plant in Selangor, the 11MP is focused on ramping up new water treatment plants (WTP) or upgrading existing facilities in states where water reserve margins are low (i.e. Kedah, Selangor, and Negeri Sembilan). With the completion of the Langat 2 Water Treatment Plant (WTP), the water supply reserve margin for Selangor will reach 14%.

Similarly, the rationalisation of 3,000 small sewerage treatment plants (STPs) will ensure that the wastewater industry stays robust. Based on the National Sewerage Master Plan, plans to improve the sewerage infrastructure via the construction of regional and centralized treatment plants, sewer networks and refurbishment of the existing sewerage facilities with larger capacities and efficient technologies is expected to kick-start a new wave of sewerage jobs.

Another area in which the Group has core value added expertise is in the management and reduction of Non Revenue Water (NRW). During the Eleventh Plan, NRW will be reduced from 36.6% in 2013 to 25%, with the implementation of a holistic NRW reduction programme. The reduction of 11% in NRW will result in an additional revenue of up to RM410 million annually. One of the initiatives is to develop comprehensive district metering zones, which also include meter and pipe replacement programmes, and pressure control management.

As such, the Group remains positive of the local water and wastewater infrastructure outlook in line with the commitment of the Malaysia Government to provide 99% of the population with clean and treated water while reducing NRW to 25% and increasing coverage of sewerage connected services to 80%. We look forward to an acceleration of water and wastewater contract flows which will benefit the Group in financial year 2016 and beyond.

Apart from the local market, the Group has gained a strong foothold especially in Sri Lanka which remains as the Group's focus with its vast opportunities and strong demand for clean water and wastewater solutions. With the stable and newly elected Government, the Sri Lankan economy is expected to set to reach a new milestone. In particular, clean and safe water supply for the people as targeted by the Sri Lankan Government is expected to increase from 45% to 60% by 2020. Multilateral agencies such as World Bank and Asian Development Bank, amongst others, continue to support water infrastructure development projects in order to increase access to safe drinking water and improve sanitation in Sri Lanka. All these measures augur well for the Group and present greater opportunities for us to expand in a country which we are already familiar in.

Artist impression of Langat Centralized Sewage Treatment Plant.

CHAIRMAN'S MESSAGE

Aerial View of rés280 construction.

Property

The Malaysia's property market softened considerably in 2015 due to cooling measures implemented by the government including stricter and more stringent loan requirements.

Nevertheless, the Group opines that the country's property market will gain momentum in the second half of 2016 and 2017. The optimistic outlook is based on the fact that the national economy is still set to expand at a respectable growth rate despite the weak and uneven global economic recovery. Coupled with a low foreign property investment exposure of five percent compared with Singapore's forty percent, the level of interest in the Malaysian property market remains strong, from within Malaysia and increasingly from overseas.

Infrastructure developments such as the Mass Rapid Transit 2 (MRT) and Light Rail Transit 3 (LRT) lines which enhance connectivity to Greater Klang Valley including Seremban, Rawang and Klang augurs well for the residential and commercial property market. Moreover, the substantially weakened Ringgit will see many foreign investors utilizing the opportunity of the higher exchange rate to pick up residential and commercial properties. Furthermore, the stability of economic landscape in Malaysia supported by increase of household income, stable employment, the rising rate of urbanization and resilient demand for affordable housing will ensure the continued demand for affordable residential properties.

Fiber-optic

We believe the implementation of major infrastructure projects under the Economic Transformation Programme such as the Mass Rapid Transit 2 and the Light Rail Transit 3 together with the revised 2016 Budget measures to further promote growth of SMEs in the services sector and to reduce cost of doing business, will continue to provide support to the growth of investment activity.

As the new business initiative on public rail transportation by Prasarana through exclusive rights-of-way (ROW) concession to lay and monetize fiber-optic lines, the Group is optimistic

Signing Ceremony between VBT and Celcom Axiata Berhad.

of completing the signing of strategic partnerships with the remaining telecom companies to leverage on our fiber optic infrastructure. Our new fiber-optic arm venture promises to continue to be the biggest indirect beneficiary of the existing and new rail infrastructure via the monetization of its rail-based fiber optic assets.

The Group is confident that with our expertise and strong cash position, we will be ready to seize potential opportunities whilst maintaining a cautious and prudent strategy in all our investments going forward. As we steer forward and strive to drive our business to greater excellence, we remain focused and adhere to the highest standards in the implementation and delivery of our works in all the business sectors we venture in.

CORPORATE RESPONSIBILITY

During the year under preview, the Group was included in the new FTSE4Good Bursa Malaysia Index (also known as the Environmental, Social, Governance (ESG) Index, for Malaysian Public Listed Companies. The inclusion of Salcon in the globally recognized ESG Index demonstrates the Group's strong culture of corporate governance and commitment to responsible business practices. The Group is very proud with this recognition and its inclusion into the index and will continuously enhance and review its efforts in striving towards greater sustainability.

APPRECIATION

On behalf of the Board, I wish to thank our stakeholders including investors, business partners, suppliers and customers for their continued support, as well as governments and regulators for their co-operation and facilitation in growing our businesses. I would like to record my deepest appreciation to our employees and management team across the Group who have contributed tremendously in bringing the company to where it is today and for their continued support and confidence in Salcon.

Yours Sincerely,

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

MANAGEMENT REVIEW

In 2015, the Engineering & Construction Division remains the **Group's largest contributor** in terms of revenue ie. **75.9%** of the total revenue.

"The **Group** will **continue** to embrace our long-term strategy of **building a strong foundation** for our core businesses for **the future**."

OVERVIEW

The Group, with its core businesses in the areas of Engineering and Construction of water and wastewater treatment plants, Property Development and other businesses including Transportation, Technology Services and Solar Power Services reported a consolidated revenue of RM123.1 million in Financial Year Ended (FYE) 2015. Revenue for this year declined by 37% from RM194.5 million in FYE 2014 mainly due to the adoption of equity accounting method on two of the major existing construction joint venture projects.

However, the Group's operational profit before tax increased by 247% from RM5.7 million in FYE 2014 to RM19.8 million for FYE 2015, attributable mainly to the increase of unrealized gains from foreign currency translation.

During the year under review, the Engineering & Construction Division remains the Group's largest contributor in terms of revenue ie. 75.9% of the total revenue. The Property Development Division has yet to contribute in FYE 2015 as the revenue and profits shall only be recognized upon the completion of a development. For the Technology Services Division, the Group expects to see maiden revenue from its subsidiary Volksbahn Technologies Sdn. Bhd. (VBT) in FYE 2016.

In FYE 2015, one of the Group's diversified business, Solar Power Services recorded the highest revenue growth among all the divisions compared to the previous year.

The Group will continue to embrace our long-term strategy of building a strong foundation for our core businesses for the future. The Group will also accelerate and finalise the completion of the sale of the Group's remaining China water concession this year.

ENGINEERING & CONSTRUCTION DIVISION

The performance of Engineering and Construction Division is currently underpinned by two main projects namely, Langat 2 Water Treatment Plant (Langat 2 WTP), the single largest water contract in Southeast Asia and the Langat Centralised Sewage Treatment Plant (Langat CSTP) Project with a capacity of 920,000 population equivalent (PE). Both projects have commenced construction works since 2014 and 2015 respectively.

In the Engineering and Construction Division, revenue recorded was 46% lower compared to that of the previous year, i.e. from RM177.1 million to RM93.4 million due to the fact that revenue contributions from both the Langat 2 WTP and Langat CSTP are not being recognised as both projects are classified as 'joint venture' where the Group is using the equity accounting method. As such, the Group only recognises profit contribution from both projects. For the FYE 2015, the Group has recognised RM3.6 million in profits from the Langat 2 WTP project whilst that of Langat CSTP will only be recognised in FYE 2016. The Group looks forward to a higher contribution from these projects as they are progressively completed over time.

Further to the completion of Non-Revenue Water (NRW) in Kudat, Sabah, the Group had secured another NRW project in the State of Terengganu, Malaysia in early 2016 through its subsidiary Salcon Engineering Bhd with contract value of RM5.4 million. This project comprises rehabilitation work, operation and maintenance management of a distribution system in Bukit Kecil, Kuala Terengganu, and it is expected to be completed in 2017.

As at 31st March 2016, the Group's outstanding order book stood at RM909.8 billion comprising water and wastewater projects, both locally and overseas with RM576.3 million balance of works to be carried out.

Construction of filter tank at Langat 2 Water Treatment Plant.

MANAGEMENT REVIEW

Operational Highlights (Malaysia)

Salcon and its joint venture partners MMC Corporation Berhad (MMC) and Ahmad Zaki Sdn Bhd (AZSB) are committed to accelerate the construction works of the Langat 2 water treatment plant. To date, the construction progress of this project has reached 36%. The Group takes cognizant of the importance of this project and shall look to expedite its implementation to meet the water demands of the people in the Klang valley.

As for the Wastewater Division, progress of the Langat Centralized Sewage Treatment Plant is on schedule under the JV consortium of Salcon Engineering Berhad and Loh & Loh Constructions Sdn. Bhd. Profit contribution from the project is expected to be reflected in FYE 2016.

During the year under review, the Group, via its subsidiary, Envitech Sdn Bhd won two wastewater contracts totalling RM38.5 million for the proposed upgrading, rehabilitation and expansion of existing Sewage Treatment Plant (from 54,000PE Capacity to 134,000PE Capacity) at Bandar Bukit Mahkota in Hulu Langat and the conversion of an existing aerated lagoon into a 60,000 PE STP in Sentul. Both contracts are expected to contribute positively to the Group's earnings in FYE 2016.

Operational Highlights (Overseas)

In FYE 2015, the overseas projects contributed 29.36% of the total revenue in the Engineering and Construction Division. These comprise projects located in Sri Lanka, India, Vietnam and Thailand.

Pipe Jacking earth arrow method is applied to D55 sewerage Pipe Networking project in Klang.

In Sri Lanka, the Group has successfully completed the Kandana Water Treatment Plant Extension Project under the Kalu Ganga Water Supply Project in August 2015. With the completion of this project, the treatment capacities of the plant and related facilities was expanded to 60,000 m3 per day of potable water, thereby extending the potable water supply service coverage area with improved safety and reliability for 250,000 people living in the outer southern areas of Greater Colombo.

In India, testing and commissioning works for Davanegere water supply project in India was completed in June 2015 following the completion of the construction of clear water storage reservoir and installation of new vertical turbine and centrifugal pump sets in the previous year.

The **successful completion** of Kandana Water Treatment Plant Extension Project **improved safety and reliability** for **250,000 people** living in the outer southern areas of **Greater Colombo**

Looking Forward

While keeping busy with the existing contracts and outstanding order book, the Group will continue to look for further opportunities to strengthen our portfolio in water and wastewater related businesses both locally and overseas. The Group believes that future prospects for water and wastewater business remain positive given that water and sanitation services is a prerequisite to the sustainable growth and development of communities around the world.

Construction of Secondary Clarifier Wall Tank of Langat Centralized Sewage Treatment Plant.

In Malaysia, the Selangor state's critical water reserve margin of below 5% implies that new alternative water supply works will be expedited before the completion of Langat 2 WTP phase 2. With the Group's enhanced profile as a contractor for the implementation of Langat 2 WTP Phase 1 Project, and the completion of the water industry restructuring exercise in Selangor, the Group is in good stead among the contractors that could benefit from new tenders.

Under the 11 Malaysia Plan, the Government is committed to construct regional centralised sewage treatment plants with larger capacities and higher technologies through the rationalisation of 3,000 existing small and inefficient sewage treatment plants. The Group has the proven track record and expertise in assisting the Government in this area and is well positioned to seize opportunities arising therefrom.

Whilst Malaysia remains as its core market, the Group also aims to strengthen its foothold overseas, especially in Sri Lanka.

With the reformed programme for the water related sectors by the Sri Lankan Government in the past few years including contracting private operators in selected regions to improve operational efficiency and to attract private sector investment, the Group foresees more business opportunities in water and wastewater related projects in Sri Lanka.

The Group is currently tendering for RM2.4 billion worth of water and wastewater related projects in Malaysia and overseas including RM465 million worth of tenders in Sri Lanka, which include water treatment plant works, NRW Reduction works, pipe laying, reservoir, booster pump station in Colombo city.

GPR Pipe Detector Training FARED for Non-revenue water works in Negeri Kelantan.

MANAGEMENT REVIEW

CONCESSION INVESTMENTS DIVISION

China Concessions

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

The last concession still pending completion under SPA-B with Beijing Enterprises Water Group Limited (BEWG) is Salcon Linyi (HK) Limited. With the Paper of Civil Judgement dated 10 October 2015 from the Higher People's Court of Shandong Province informing that the Group's appeal against claims made by Linyi Water Group Limited had been rejected, the Group has exhausted all legal avenues of appeal.

However, as the Group has fully provided for the amount claimed in the Audited Financial Statements for the financial year ended 31 December 2014, there is no material financial effects to the Group during the year under review.

Moving forward, with the conclusion of the litigation cases, the Group looks to complete the disposal of Linyi Salcon Water Co Ltd to BEWG in the near future.

Vietnam Concession

The Binh An water concession located in Ho Chi Minh City has been consistently contributing a steady income stream to the Group. In FYE 2015, this concession contributed RM5.35 million, an increase of 17% compared to RM4.5 million in the previous year due to the strengthening of the USD of which the revenues are denominated in.

Operation of aerators at Binh An Water Treatment Plant, Vietnam.

PROPERTY DEVELOPMENT DIVISION

Financial Highlights

The Property Development Division has yet to contribute financially in FYE 2015 due to the Group's adoption of the Malaysian Financial Reporting Standards (MFRS) to recognise revenue and profits only upon completion of a development.

Operational Highlights

The Group's maiden project, res280 is expected to be completed by end 2016. Upon completion of this mixed residential and commercial development, an estimated Gross Development Value of RM157.5 million is expected for the Group.

Looking Forward

The Group looks forward to the contribution from the property development division in FYE 2016, with the completion of our maiden res280 project in Selayang.

The Group expects that the various headwinds will soften on property demand. In the interim, the Group's property division will keep a look out for potential landbanks and strategic partners to further strengthen the division.

OTHER DIVISIONS

Transportation

Eco-Coach & Tours (M) Sdn Bhd (Eco-Coach), which is a Salcon's subsidiary operating in Penang and Kedah, has achieved steady growth with a total revenue of RM13.8 million representing 11% of the Group's total revenue during the year under review.

Eco-Coach has recently embarked on an expansion plan to secure new contracts with other multinational companies to increase its revenue stream.

To date, Eco-Coach has a total of 132 vans, 46 coaches, 5 MPVs and more than 150 drivers to cater for multinational companies such as Intel, Western Digital Media and Paramit, located in Kedah and Penang.

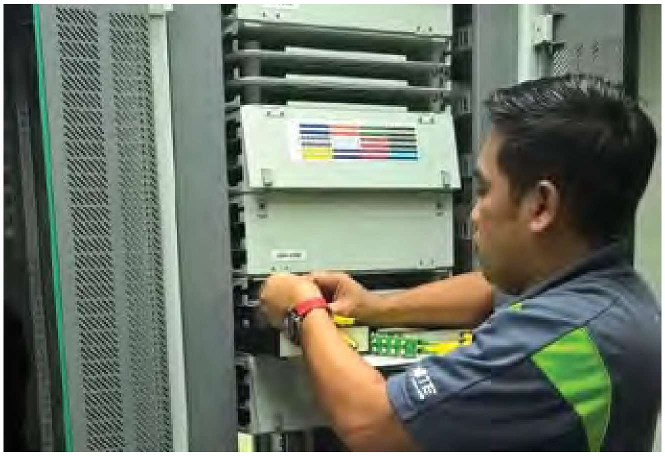
Technology Services:

During the period under review, the Group, via its investment in Volksbahn Technologies Sdn. Bhd. (VBT), a fibre optic communication technologies service provider, has signed two 5+5 year contracts with U Mobile Sdn. Bhd. and Celcom Networks Sdn Bhd for mobile backhaul and site rental for shared infrastructure to provide enhanced connectivity and digital services in the Klang Valley for LRT and monorail users.

With the high usage of technology in this digital age, the Group is confident of VBT's potential income generation via the provision of value added services to telecommunication operators to improve the capacity and quality of their networks. The Group also looks to realise new revenue streams from retail businesses and facilitate the mobile convergence for operators through our fibre optic backbone. With the two contracts secured with the two telco operators in Malaysia, the Group expects to see recurring contributions from VBT in the coming financial years.

Solar Power Services

In FYE 2015, Solar Power Services which is based in the United Kingdom has recorded an increase of 658% in revenue from RM1.9 million to RM14.4 million, compared to the previous year due to the recognition of revenue from FYE 2013.



Fibre testing to ensure reliable high-speed connectivity.

To date, the Group has successfully installed solar photovoltaic systems on the rooftops of 1,697 homes in over 30 areas in the United Kingdom.

BUSINESS OUTLOOK

The Group remains optimistic for the year ahead in the water and wastewater business and is constantly on the lookout to increase our order books. With the budget allocation for water and wastewater services under the 11th Malaysia Plan (11MP) amounting to more than RM12 billion and an estimated RM2 billion worth of water related contracts to be awarded in 2016, the Group is in a strong position to benefit and confident of its prospects in the long term.

The Property Division may encounter challenges arising from the softer economic outlook and the regulatory guidelines introduced to curb rising household debt. The Group will channel its efforts towards expediting the completion of the existing res280 development whilst re-strategising its development plans for the two other developments to meet the prevailing market demands.

Whilst the Technology Services Division is currently at a growing stage, the Group believes in its growth potential and capacity to bring significant contributions in the near future. The Group will continue to focus on strategizing its business model so as to achieve sustainable growth and increase stakeholder value for our shareholders.

The Transportation Division is also expected to see improved revenue contributions with new signings of multinational companies.

Salcon's investment in Volksbahn Technologies Sdn Bhd (VBT), a specialist in fibre-optic cable laying and telecommunications services, enables us to collaborate with the Prasarana Group of Companies to develop innovative smart city solutions.

EXTENDING OUR REACH

CORPORATE RESPONSIBILITY REPORT

At Salcon, it is our utmost priority to create long-term values for our stakeholders through effective and lasting solutions to meet ever increasing environmental and social sustainability challenges. Over the years, we have continuously improved our efforts in our Corporate Responsibility (CR) strategies and activities to ensure more sustainable growth.

We incorporate sustainability best practices and the highest standards of ethics into our business operations, corporate culture, mission and core values to further enhance our position as a responsible and caring organization.

Recognition by the FTSE Russell

We achieved a significant milestone in December 2015 where we are honoured to be recognized under the FTSE4Good Bursa Malaysia Index (F4GBM Index) by the FTSE Russell. The F4GBM Index measures the performance of public listed companies (PLCs) demonstrating strong environmental, social and governance (ESG) practices. Out of the many stocks listed on Bursa Malaysia which were screened in accordance to well-defined ESG criteria, Salcon was selected and included as one of 34 constituents of the F4GBM. Under third party independent assessment, we have met stringent environmental, social and governance criteria, and are positioned to capitalize on the benefits of responsible business practice.

We are proud to be recognized under the FTSE4Good Bursa Malaysia Index.

Sustainable Development through Stakeholder Engagement

We believe that effective and comprehensive stakeholder engagement helps to drive strategic direction and operational excellence for our business. Engaging our diverse stakeholders in long term dialogue enables us to listen from our stakeholders' point of view, provide more opportunities to form strategic partnerships, manage our business risk as well as position our brand to the right target audience.

Below are the efforts we have undertaken in FYE 2015 as a good corporate citizen:

Stakeholder Group	Engagement Approach	Frequency	Benefits/ Outcome
Employees	- Internal newsletter - Employees Improvement Programme - Performance review - Sports and recreational activities	As needed As needed Annually As needed	Better work efficiency, career development, employee communication, performance tracking & work-life balance
Investors	- Annual General Meeting - Analyst/ bankers/ fund managers meeting	Annually As needed	General interest in business direction/ strategies
Clients	- Client satisfaction survey	Annually	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, keep track with the current market requirements/ regulations
Media	- Media releases	As needed	Reach out to public on company's future aspirations and promote publicity
Local community	- Charitable giving - River & Water Awareness Educational Programme - Volunteering opportunities - Local community employment	As needed Bi-monthly Annually As needed	Respond to needs in the community which we live, work and serve as well as build positive relationship through constructive efforts
Suppliers/ Sub-contractors	- Supplier/ sub-contractors evaluation	Annually	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 conduct business planning
Non-Governmental Organisations	- Partnership in community, workplace and environmental sustainability	As needed	Mutual understanding on sustainable environmental and social growth

The details of our stakeholder engagement approaches are covered in other section of this report.

MARKETPLACE SUSTAINABILITY

Being transparent and adopting the highest standards of corporate governance are the keys to guiding the Group to conduct its operations under a business environment which demands higher levels of maturity and thought leadership. We believe that the highest standard of business practices not only creates sustainability in terms of transparent disclosure and cost efficiency, but also a reduction in our ecological footprint whilst building healthy communities.

Building Ethical Business Practices

We are committed to apply the highest standards of corporate governance in our business operations where we strive to be ethical, accountable and transparent. These principles have guided us through the years in delivering long-term commitments to our stakeholders as well as helping to win public trust in the Company through the Board's accountability which is the highest echelon of decision making in the Group.

Every employee is guided by the Group's Code of Ethics and Conduct (COEC) which clearly states the Group's expectation of integrity in all areas of our business operation. During orientation for new employees, every new recruit will need to read, agree and adhere to the COEC's percepts. The full copy of our COEC is available in our corporate website at www.salcon.com.my.

Clients and business partners engagement through informal events such as Bowling Tournament.

MARKETPLACE: Achievement and ongoing progress:

- Strong emphasis on ethical business practices
- Keeping track of suppliers/ sub-contractors performance through supplier evaluations
- Listening to clients' feedback through Client Satisfaction Survey
- Engaging with clients and consultants through corporate functions
- Delivering effective customer service
- Conducting integrated risk management

As part of our COEC, all Salcon employees are required to comply with the anti-corruption laws of every country in which we operate in. All forms of bribery and corruption are strictly prohibited. Any breach of law in relation to bribery could result in disciplinary action including dismissal.

In order to monitor and prevent fraud and corruption in the Group, a yearly risk assessment is conducted by the Internal Audit & Risk Management department based on the procedures stated in the Risk Management System. The risk assessment report will be submitted to the Audit Committee and Risk Management Committee for review. As at FYE 2015, no staff were disciplined or dismissed due to non-compliance with anti-corruption laws.

Creating Long-Term Returns to Shareholder

During FYE 2015, the Group recorded gross economic value of RM160.2 million, 36% decrease compared to the previous year.

Economic Data (Group Level)

Description	2013 (RM '000)	2014 (RM '000)	2015 (RM '000)
Revenue	164,612	194,465	123,079
Other income and interest income	96,157	55,867	37,114
Gross Value Generated	260,769	250,332	160,193
Our suppliers: Operation costs	(174,019)	(187,664)	(135,234)
Our employees: Salaries and benefits	(26,049)	(22,271)	(21,935)
Our lenders: Payment to lenders (financial cost)	(7,128)	(1,928)	(5,576)
The Government: Payment to Government	1,077	(3,742)	(9,369)
The Rakyat: Community Investments	(93)	(190)	(192)
Net-value added	54,404	34,537	(12,113)
Our shareholders: Payment to shareholders	(5,393)	(20,230)	(20,325)
Our Future: Econmic Value Retained	49,011	14,307	(32,438)

Revenue by Region

Countries	2013 (RM '000)	2014 (RM '000)	2015 (RM '000)
Malaysia	139,063	134,864	81,387
Vietnam	-	28,388	13,927
Sri Lanka	16,595	22,567	11,877
Thailand	4,023	2,942	1,485
Others	4,931	5,704	14,403
Total	164,612	194,465	123,079

(Revenue in others category in 2015 was generated by business in U.K.)

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

CORPORATE RESPONSIBILITY REPORT

Sustainable Supply Chain

We strive to ensure that our procurement and ISO policies are embedded into the Group's supply chain management to provide the most efficient and cost effective option for the Group and more value to our stakeholders.

Under our procurement policy, we only work with qualified suppliers/ sub-contractors who are responsible and reliable. This is crucial for us as it would directly affect our delivery as well as our reputation with our clients.

Our top 3 criteria in choosing suppliers:

1. Ability to meet our specifications/ requirements
2. Ability to meet our delivery requirement
3. Offering competitive pricing and terms

Sharing values

We apply strict care in choosing the Group's supplier/ sub-contractors and to share with them our business values and principles. All suppliers/ sub-contractors are educated on our ISO policies as they 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.

Supplier evaluations

In order to keep track of our suppliers' performance, we conduct an evaluation on a yearly basis to ensure that they comply with our procurement policy and to review the area of improvements. In FYE 2015, 150 suppliers were reviewed and 127 of them achieved Excellent grade in their performance, accounting for 84%.

Suppliers' Rating

Grade	No. of Suppliers/ Sub-contractors	Percentage (%)	No. of Suppliers/ Sub-contractors	Percentage (%)
	FYE 2014		FYE 2015	
Excellent	114	73	127	84
Acceptable	19	12	12	8
Minor improvement needed	22	14	11	7
Unacceptable	1	1	0	1
Total	156	100	150	100

We engage with our potential business partners through exhibitions, both locally and overseas.

Delivering Solutions to Clients

Clients' Satisfaction Survey

It is our responsibility to deliver quality solutions to our clients. In order for us to improve, we review our performance through a Clients' Satisfaction Survey which is conducted annually. Through the survey we would be able to identify our shortfalls, and improve on these areas through taking remedial action.

In FYE 2015, we have conducted satisfaction survey on Klang Package D55 and Sri Lanka Kalu Ganga projects. Averagely we were rated 83.3%, an increase compared with 81.5% in FYE 2014. Clients' feedback was discussed between the top management and the project team and thereafter , sent for further action, if any.

Besides the survey, we also engage our clients or business partners through informal events such as Chinese New Year Luncheon and Bowling Tournament to foster better relationship and exchange of opinions.

Customer Service

Under our Non-Revenue Water (NRW) Division in Sandakan, Malaysia, we have a Customer Service Centre to handle billing and collection matters as well as attend to customer's concern about water issues.

In FYE 2015, we have received 1749 calls compared with 1943 calls in the previous year. The effectiveness of the staff handling calls has improved from 3 to 5 minutes to 1.5 minutes for each call.

Customer Service team at the NRW Sandakan Customer Service centre, Sabah.

Risk Management

Salcon's Enterprise Risk Management (ERM) integrated framework is endorsed by the Board of Directors to the Risk Management Committee; which in turn is assisted by the Internal Audit and Risk Management Department.

Salcon safeguards the Group's facilities and shareholders' investments by being able to identify and mitigate applicable potential risks via the Integrated Risk Management Policy (IRMP). The IRMP details the context and processes of risks' identification, analysis, evaluation and treatment; as complemented by the use of risk management software and risk based internal audits/risk assessment exercises.

Currently, Salcon is in the process of reviewing and enhancing the ERM integrated framework and IRMP so as to comply with ISO 31000 Risk Management Principles and Guidelines, with the assistance of an appointed consultant.

Salcon safeguards the Group's facilities and shareholders' investments by being **able to identify and mitigate applicable potential risks** via the **Integrated Risk Management Policy (IRMP)**

CORPORATE RESPONSIBILITY REPORT

WORKPLACE SUSTAINABILITY

We believe happy people work better. This is our fundamental guide and reason to continue improving work experience for all of our employees. We are committed to create a safe, healthy and respectful working environment to all of our employees.

Respecting Human Rights

At Salcon, our commitment to respect human rights extends across all aspects of our business conduct, including our suppliers, business partners, customers, communities and employees. The Group's Code of Ethic and Conducts provides guidelines and direction for responsible business conduct and imbues our commitment for human rights. Amongst the areas of human rights practices in which we are concerned, workplace and employees rights are our top priority as we see human resources as the most valuable asset in the Group.

Every employee at Salcon enjoys equal rights without prejudice and discrimination. We practice an open-door policy whereby we provide a grievance mechanism and have established a whistle blowing policy for our employees to raise any issues or activities that are against or believed to violate any of the Group's or country's law and regulations.

Regardless of where we operate our business, we fully comply with human and employees rights in each country's employment laws and regulations. We have zero tolerance on the employment of child labor and forced labor.

We comply with all applicable wage laws of Malaysia for all employees, which include minimum wages, overtime hours and legally mandated benefits related matters. Working hours are limited to what is acceptable by local laws.

Valuing Diversity

Managing diversity and equality is essential to our collective success. Based in a multi-race country, we fully believe that a diverse workforce is critical in generating new ideas as well as inspiring creativity and innovation. Thus, we work towards creating a welcoming and inclusive workplace for people with all background, regardless of nationality, race, color, religion, gender, ethnic origin, sexual orientation, age or disability.

Embracing Individual Differences

In FYE 2015, we have a total of 271 employees in Malaysia, Thailand, Sri Lanka, Vietnam and India, consisting of different age group and races. The percentage of female employees over the total employees increased slightly from 34.7% to 36.5% in FYE 2015 compared to the previous year. In FYE 2015, 38 new employees with diverse talent joined us.

our commitment to **respect human rights** extends across all aspects of our business conduct

WORKPLACE: Achievement and ongoing progress:

- Respecting human rights and zero tolerance on child and forced labour
- Effective employee communications
- Talent development
- Creating a safe workplace

Employee Diversity Data:

	2013	2014	2015
Total number of employees	**314**	**288**	**271**
Malaysia	258	242	244
Thailand	2	2	2
Sri Lanka	19	16	15
Vietnam	23	19	8
India	10	8	2
Indonesia	2	1	0
Workforce by category			
Executive	201	184	170
Non-executive	113	104	101
Age Group			
Below 30	73	57	45
30 to 50	180	164	164
Above 50	61	67	62
Gender			
Female	107	100	99
Male	207	188	172
Ethnicity (in Malaysia)			
Malay	116	107	113
Chinese	105	100	93
Indian	24	24	24
Others	13	11	14
Turnover rate (%)	12.7	12.5	10.5
Ratio between permanent and contract employees	70 : 30	72 : 28	73 : 27
Ratio of men versus women salary	1 : 1	1 : 1	1 : 1

Directors Diversity

The Group's collective success is led by 6 directors with diverse background and expertise in business management and engineering field. The directors have broad and global perspective in business sustainability. For more details of our directors' profile, kindly refer to Profile of Directors on page 12 to page 17.

Board of Directors Diversity:

	2013	2014	2015
Gender			
Male	6	6	6
Female	-	-	-
Age Group			
Below 30	-	-	-
30 to 50	-	-	-
Above 50	6	6	6
Ethnicity			
Malay	1	1	1
Chinese	5	5	5
Indian	-	-	-
Others	-	-	-

The Group's collective **success** is led by **6 directors** with diverse background and expertise **in business management and engineering field**

CORPORATE RESPONSIBILITY REPORT

Training opportunities provided to employees to enhance their skills in their career path.

Continuous Employees Engagement

Fostering a culture of inclusion that everyone is valued is part of our strategy in employee engagement so that everyone in the Group can deliver the best performance and lead the Group to higher achievements. Over the years, we have been engaging with employees through various channels and will continue in the engagement effort for a win-win situation for both employees and the company.

Communications

Employee communication is essential for us to receive regular feedback no matter positive or negative. We welcome employees to conduct discussions on one to one, team or management level to analyze any issues or concern.

Our employees put concerted effort in achieving the key performance indexes set by the Company which are reviewed annually together with their superior to discuss the delivery capabilities as well as individual and departmental growth.

Rewards

We reward and recognize our employees' contribution through attractive benefits as an encouragement and reinforcement of exemplary behaviors and high performance throughout the business. These benefits and rewards include medical insurance coverage, car loan subsidy scheme and annual bonuses.

Leadership Building

We encourage and emphasize on our employees' career growth and development as we believe that employees are the most valuable asset who should grow together with the company.

In order to provide opportunities to employees so that they can achieve a higher milestone in their career path, we provide training opportunities to all employees regardless of position or level. We encourage training to enhance their skill and contribute to work creativity and efficiency.

In FYE 2015, an average of 50% of employees from all categories attended training provided by the Company, including directors, management, executive and non-executive. Types of training do not only cover personal and leadership development, it also includes supplementary knowledge, positive mindset and functional training.

Safety Workplace

We believe a safe and healthy workplace will not only protect our employees' health and safety, but also protect the Group's assets, ensure business continuity and engender public trust. To this end, all offices and project sites comply with the Safety and Health Policy as well as Occupational Health and Safety Management System (OHSAS 18001). Besides this, a Safety, Health and Environment (S.H.E.) Committee was set up to ensure overall S.H.E. performance and continuous maintenance and improvement of the system.

Safety is the top priority at all of our project sites.

Responsible body	Location	Activities held
S.H.E. Committee	Offices (For employees)	- Fire drill - Quarterly audit and inspection (Headquarter) - Annual Safety & Health Campaign Month - Health and safety talks
	Project sites (For employees and sub-contractors)	- Fire drill - Health and safety toolbox talk health and safety induction - Annual audit and inspection - training to staff and sub-contractors

Safety, Health and Environment (S.H.E.) Committee

The S.H.E. Committee's top responsibility is to cultivate a safe and healthy workplace for all level of employees, including our sub-contractors. The S.H.E. Committee comprise representatives from each department who raise their concern about workplace safety and health issues on behalf of their departments.

Prior to the commencement of a new project, the S.H.E. Department will conduct risk assessment through Identification, Risk Assessment and Risk Control (HIRARC) to identify any potential health and safety risk and analyze and mitigate the risk.

The S.H.E. Committee has organized numerous activities to raise awareness on workplace health and safety. Kindly refer to the chart below for the list of major activities conducted by the committee and department.

In FYE 2015, 71% of the S.H.E. Committee attended safety-related trainings. To reduce the possibility of injuries and death, property damage, legal liability, illnesses, workers' compensation claims and missed time from work, we also provide trainings to our sub-contractors in FYE 2015.

For our project site abroad, we ensure the team fully complies with the local workplace safety and health law and practices. Our project site at Binh An organizes yearly OHSAS Campaign – Labour Safety and Hygiene Week to highlight the importance of workplace safety to employees. Meanwhile, the project site conducts annual fire drill and various trainings including fire fighting training, first aid training and OHSAS 18001:2007 system training.

We believe a safe and healthy workplace will not only **protect our employees'** health and safety, but also **protect the Group's assets,** ensure business continuity and **engender public trust**

Achieving Zero Loss Time Injury

Under the guidance of the Group's Safety and Health Policy and OHSAS 18001 as well as the effort of raising safety awareness among all level of employees, we have successfully managed to achieve 9.39 million man hours with zero Loss Time Injury (LTI) since December 2010 against a target of 10 million man hours.

We have also achieved zero Non-Conformance Report (NCR) in FYE 2015, an improvement compared with 3 NCR in the previous year.

Employees' Well-being

Work-life balance of our people is an important aspect we are looking into. Our emphasis on work-life balance is reflected through our employees' welfare, Staff Improvement Programme as well as various activities held under the Salcon Recreational Club (SRC).

Under the Staff Improvement Programme and SRC activities, we encourage sports and physical activities such as weekly badminton, bi-weekly bowling, stair walk competition, stress management talk, movie day, annual trip, family day, sports tournament and visit to special children home.

Annual fire drill for all employees at HQ and project sites to highlilght the importance of fire safety.

Work-life balance of our people is an **important** aspect we are looking into

We encourage employees to connect with one another via our activities such as Annual Trip to build multicultural awareness.

Family Day is one of the activities to promote work-life balance.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE PROTECTION

It is our top responsibility to reduce our environmental footprint in the areas we operate in. We believe that, if not adequately addressed, climate change and pollution issues will directly pose various risks to businesses. All the initiatives and action taken by the Group to reduce pollution and climate change impact as well as to conserve resources is reflected in our commitment towards the ISO14001: 2004 which is certified and reviewed yearly by Bureau Veritas Certification.

Construction of digestor tank piling works at Langat CSTP project site.

The S.H.E. Department conducts monthly environmental assessment at project sites to ensure no unnecessary negative environmental impacts. Every project sites complies with the Group's Environmental Policy and puts their best effort to prevent pollution. For example, our project team of Package D55 Project in Klang ensures good maintenance of machinery and vehicle to avoid additional carbon emission.

In this section, we will provide an update on our efforts to advance our environmental sustainability efforts across five core focus areas: water management, energy management, waste management, dust management and other conservation efforts.

Water Management

As a water and wastewater engineering company, we recognize that water is an important resource to businesses, communities and the environment. To this end, we are committed to protecting water quality and decreasing water consumption, and reducing the carbon footprint of our supply chain. Our workforce and subcontractors are required to commit to responsible use and conservation of this vital resource under the guidance of our Environmental Policy.

In order to ensure sustainable resource usage and conservation, we also expand our advocacy campaigns on water conservation through an educational approach via our regional award-winning Salcon River & Water Educational Programme.

Initiatives taken by the Group to **reduce pollution** and **climate change impact** as well as to **conserve resources** is reflected in our commitment towards the ISO14001: 2004

ENVIRONMENTAL: Achievement and ongoing progress:

- Effective water, energy, waste and dust management
- Recycling effort at all offices and project sites
- Environmental conservation with community to convey importance of resources conservation and climate change issue

Primary Clarifier Piling & Lean Concrete works at Langat CSTP project site.

Our efforts in water management:

- In FYE 2015, Binh An Water Corporation (BAWC) built a Sludge Storage Pond to collect the sludge which was previously discharged direct into the environment. Saigon Water Corporation (SAWACO) built a sludge dewatering plant.
- Tri An Lake and Dong Nai River inspection on pollution
- Cleaning and dredging external drainage at Binh An project site to ensure no blockage in drainage.
- Our sewerage project sites carry out influent and effluent sampling work on monthly basis for monitoring purpose.
- We work hand-in-hand with NGOs such as Water Watch Penang for the Salcon River & Water Educational Programme.
- As a member of Malaysia Water Association and International Water Association, we keep abreast with the latest industry trends and best practices in responsible water management.

Energy Management

Even though there is no specific energy policy, all level of employees at the offices and project sites are constantly reminded on the importance of energy conservation via employee emails or posters. Our total offices energy consumption reduced 0.7% in FYE 2015 as compared to the previous year.

Our effort in energy conservation:

- We urge all employees to switch off lights and air-conditioner at work area during lunch hour and after work.
- BAWC has energy conservation policy according to the government requirement and it is implemented throughout the company.
- Binh An Water Treatment Plant site minimizes the use of power generators in the production process.
- Langat Centralized Sewage Treatment Plant reduces unnecessary idling of plant and machinery.

Waste Management

Improper waste management will not only create pollution but also impact the habitat and lead to climate change issues. Thus, we are very mindful of proper waste disposal to ensure that the environment is not polluted or impacted by hazardous chemicals.

Our effort in waste management:

- Non-scheduled waste is disposed by council waste disposal contractor.
- Scheduled waste such as used motor oil & other lubricants are collected in steel containers and taken off the site by scheduled waste disposal subcontractors. The frequency of the disposal depends on the location of project sites but comply with the local authority's regulation. For example, the Binh An project site conducts the disposal monthly but Langat Centralized Sewage Treatment Plant keeps the waste for six months maximum before disposal.
- Waste disposal is conducted using Roll on Roll off (RoRo) bins at our rés280 property project site.

BAWC JV with Binh Thang People's Committee cleaning external drainage.

Tree planting and landscaping effort with SK Dusun Nanding students.

Dust Management

As dust pollution could create a negative impact on the health of residents and surrounding habitat, we implement effective dust control at our operation areas to ensure minimal impact to the environment.

Our effort in dust management:

- Conduct regular watering of access roads at Langat 2 Water Treatment Plant site.

Other Conservation Efforts

We aim to create awareness on the importance of conserving natural resources and protecting the environment as well as raise climate change issues through education.

Our education approach covers both internal and external stakeholders. We encourage our employees to love the Earth through environmental activities and cultivate the sense of environmental protection among the communities where we operate in.

Our effort includes:

- Recycling campaign at all offices and project sites. 1058kg of recycled paper are collected in FYE 2015.
- Greening effort of project sites. All slopes, whether cut or fill, are immediately turfed after work is completed.
- Tree planting and landscaping effort with Sekolah Kebangsaan Dusun Nanding students and teachers, a school next to our Langat 2 Water Treatment Plant project site.
- Salcon River and Water Educational Awareness Programme. We teach primary and secondary school students to test the quality of river water through hands-on activities. For more information about the programme, please refer to Community Sustainability Section under this Report.

COMMUNITY SUSTAINABILITY

Investing in the communities in which we live, work and serve is significant as we would be able to receive feedback from our communities and build positive relationships through various engagement activities.

Through our community engagement, we aim to improve lives of communities by practicing local employment, charitable giving, educating younger generations as well as providing volunteering opportunities.

Local Employment

We believe that creating job opportunities to local communities through local employment at the area we operate in will benefit both entities economically: the local community as well as Salcon. Whenever we commence business at a new geographical area, we will employ the local community to be part of our Salcon family.

Charitable Giving

Under the guidance of our Donation and Sponsorship Funding Guidelines, we are committed to support underprivileged groups or environmental conversation organizations which address a community need and provide direct impact to the community served.

Besides providing financial aids to charity organizations such as Malaysian Association for the Blind, Pertubuhan Kebajikan Mental Selangor and orphanage homes, we also contribute in disaster relief efforts. Some of our major activities in charitable giving efforts include:

- Salcon Back to School Outreach Programme. This is a programme to support underpriviledged children by giving contributions in-kind to orphanage or special children homes.
- Donation of 124 boxes of drinking water to earthquake victim in Ranau area, Sabah, Malaysia.
- Donation of necessary items to poor families in Binh Thang Ward, Vienam.
- Participation in Terry Fox Run to support cancer research in Vietnam.
- Movie Day. A leisure movie day for children from Pusat Penjagaan Kanak-Kanak Cacat Taman Megah including donation of cash and in-kinds.

Shaping Behavior through Education

We believe education plays an important role in shaping the mindset and behavior of our younger generations. Thus, we use education as an approach to cultivate a sense of responsibility on water conservation among primary and secondary school students though the Salcon River and Water Awareness Educational Programme.

COMMUNITY: Achievement and ongoing progress:

- Creating job opportunities through local employment
- Supporting underprivileged through charitable giving
- Educating children for a sustainable environment
- Volunteering programme
- Caring for young generations through charity & education

Salcon employees spending time with children from Pusat Penjagaan Kanak-Kanak Cacat Taman Megah (PPKKCTM).

The Salcon River and Water Awareness Educational Programme is a joint effort by Salcon Berhad and Non-Government Organisation - Water Watch Penang (WWP) on water conversation education since 2010. We bring primary and secondary school students to the river and provide opportunities for them to conduct physical, biological and chemical river water testing by their own. The children have shown improved understanding and awareness via a survey we conduct, pre and post-actvitity.

In FYE 2015, we have successfully expanded the programme to engage students outside Selangor. The schools involved are SMK Sungkai, SMK Hamid Khan and SK Behrang from Perak. We hope to expand further to other states in future.

Giving back Society through Volunteering

Sustainable social development is crucial to Salcon as a caring corporate citizen. We would like to create a society with happy people living in a healthy and clean environment. This is also our mission and part of our corporate responsibility strategy is to introduce volunteering opportunities annually to the community to get them to join us in the effort of providing a better living community. The activities are the Salcon Train of Trainers (TOT) Programme as well as Salcon Blood Donation Campaign.

We aim to **improve lives of communities** by **practicing local employment**, **charitable giving**, **educating younger generations** & providing **volunteering opportunities**

CORPORATE RESPONSIBILITY REPORT

Salcon TOT Programme

Besides conducting the river programme for students, we work closely with teachers through the Salcon TOT Programme to enable more students to benefit from the river programme. The annual TOT Programme is a skill-based programme where the teachers learn how to conduct a river programme by themselves. After mastering the skill, they can conduct the river programme themselves at their respective schools based on their own schedule.

The skill-based Salcon TOT Programme aims to train more teachers to be facilitators so that they can conduct the same programme for their own schools.

Salcon's annual blood donation drive at Summit Shopping Complex.

In FYE 2015, a total of 46 teachers from 28 schools in Perak and Selangor participated in the TOT Programme and learnt how to conduct the fun and educational programme. Meanwhile, the ripple effect of the teachers who participated in the TOT Programme was shown when 7 school-organized River Programmes were conducted. This translated to reaching out to another 255 students in protecting the eco-system.

Blood Donation

In collaboration with Pusat Darah Negara, Salcon supports World Donor Day through its annual Salcon Blood Donation Campaign, which is held in conjunction with the Salcon Safety and Health Campaign Month. 68 pints of blood have been collected from kind-hearted public and Salcon employees in FYE 2015 during our 6th Annual Blood Donation Drive.

CONCLUSION

We strive to create a sustainable environment in both our operations and community where we live in under our four focus area which are marketplace, workplace, environment and community. While continuing our efforts for sustainable living, we hope to achieve another milestone over the coming year with the full integration of our sustainability efforts.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Salcon Berhad ("Salcon" or "the Company") is committed in ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries ("the Group"). This is a fundamental part of discharging their fiduciary duty to safeguard shareholders' investments and protect stakeholders' interests.

This statement details how the Group had applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), pursuant to Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"); for the financial year 2015.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1. To establish clear functions reserved for the Board and those delegated to the Management

In order to create and promote clear understanding of the functions of the Board and Management; a Board Charter, which clearly sets out these functions, has been developed. Additionally, various Board Committees have also been set up to handle certain functions delegated by the Board in order to facilitate decision making. The Board Committees are: -

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

The roles and responsibilities of the Board and Management are adequately established and communicated to ensure accountability.

Management is responsible for the day-to-day operation of the Group's activities and to achieve corporate objectives and goals, set by the Board.

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

Among others, the matters reserved for the Board and the responsibilities of the Chief Operating Officer ("COO") are set out in the Board Charter.

The Board Charter and Term of References ("TOR") for respective Board Committees are available at the company website, www.salcon.com.my.

1.2. To establish clear roles and responsibilities in discharging its fiduciary and leadership functions

The Board will assume, amongst others, the following responsibilities:

a. Reviewing and adopting a strategic plan for the Company

The Board plays a critical role in establishing corporate objectives and developing a strategic plan for the Company.

In year 2015, the Company continued to penetrate the market in water, wastewater and non-revenue water industries. The Company has further diversified into property development, transportation, renewable energy and technology services (which provides and leverages on integrated fibre optic network infrastructure and services). The Board is optimistic that such diversifications will enhance the Group's financial and operational performances.

b. Overseeing the conduct of the Company's business

The COO is responsible for the day-to-day management of the Company's businesses and operation activities. He is assisted by various divisional heads and other Committees established within the Company's management framework, in monitoring the day-to-day activities. Management meetings and projects' progress meetings are held regularly to update the Management on the latest financial and operational positions of the Company as well as the projects.

The Board monitors Management's performances via status reports which are tabled to the Board on a periodic basis. These reports contain the summarized and updated positions of the Company's financial performance and business operations.

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

Through the RMC, the Board oversees the Enterprise Risk Management ("ERM") framework of the Group. The RMC reviews and identifies potential high risk areas encounter by the Group or projects, if any. Advices and recommendations will be put to Management in establishing adequate controls procedures to mitigate the potential risks.

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 of Risk Management and Internal Control ("SORMIC") of this Annual Report.

d. Succession planning

The NC is responsible to review and assess candidates for key management positions and the RC determines the remuneration packages for these appointments. The NC is also responsible for formulating nomination, selection and succession policies for members of the Board and Board Committees, the COO and the Chief Financial Officer ("CFO").

The Board is satisfied that the NC has effectively discharged the duties as listed in the TOR, which is available on the Company's website.

In order to ensure sustainability and prevent disruptions to the Company's daily activities, succession planning for key management position has been established by the COO, with the assistance of the Management. Reviews and updates on the succession plan will be undertaken, as and when necessary.

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

The Company, via the Corporate Affairs Department ("CAD"), carries out Investor Relations ("IR") activities. Activities undertaken by the Company are adequately communicated to the shareholders via the Chairman's Statement, Financial Information, announcements to Bursa Securities, Corporate Governance ("CG") and Stock Information. These information and data are available on the Company's website and annual report.

The Company has also created a social network channel via the Company's Facebook ("FB") account which allows shareholders, stakeholders or potential investors to put up any enquiries with regards to the Company/the Group. CAD is monitoring the FB account on a daily basis and will forward those enquiries to the relevant departments to ensure prompt replies.

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

The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the SORMIC of this Annual Report.

1.3. Code of Ethics and Conduct

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") throughout the Group. The COEC applies to all employees including Directors, and adheres to a high ethical standard of Integrity, Objectivity, Confidentiality and Competency while complying with all applicable laws and regulations that govern the Group's businesses and activities.

The COEC emphasizes integrity and ethical conduct in all aspects of the Groups' activities; including privacy and confidentiality of information, and Conflict of Interest. It also sets out prohibited activities or misconducts such as gifts, bribes, dishonest behaviour, sexual harassment and etc.

A Whistle-blowing Policy ("WBP") had been established in year 2012 and the Company encourages all employees, shareholders or stakeholders to report any violations, improper conduct or wrongdoing within the Group.

The Board is responsible for overseeing the implementation of the policy on Directors, and all whistle-blowing reports can be addressed directly to the AC's Chairman via his phone line or email address. The identities and particulars of Reporting Party ("RP") will be kept strictly confidential or anonymous unless the RP chooses to disclose his/her identity or if required by law, court or authority.

The COEC and WBP are available on the Company's website.

1.4. Strategies promoting sustainability

The Board believes that sustainability practices will transform and improve the Company's corporate performance and image, as well as encourages good CG.

Summaries of these activities which support Salcon's commitment to the evolving global environmental, social, governance and sustainability agenda are available in the Corporate Responsibility Report of this Annual Report.

1.5. Access to information and advice

In order for the Directors to effectively discharge their fiduciary duties and responsibilities, independent access to the services and support of the Company Secretaries ("CS") are granted.

The Directors may seek advice and interact directly with, or request further explanation, information or updates on any aspect of the Company's operations, financial or businesses' concerns from the Management. 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.

The Board and Board Committees' 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. The board papers which contain updates on the operational, financial and corporate developments are circulated prior to the meetings. The Board Papers would enable Directors to analyze the matters arising / possible outcome and obtain clarifications, where necessary, to facilitate sound decision-making.

Senior Management officers and/or external consultants will be invited to attend Board meetings as and when necessary, to provide explanations or clarifications, on the relevant issues tabled at the Board meetings for discussion and deliberation.

1.6. Qualified and Competent Company Secretaries

The CS is qualified to act under Section 139A of the Companies Act 1965.

The CS plays an advisory role to the Board, particularly with regards to the Company's constitution, Board's policies and procedures; and ascertains the Company's compliance with applicable regulatory requirements, codes, guidance and legislation.

The CS supports the Board in overseeing the CG Model. The CS ensures that the minutes of meeting of the Board and Board Committees are adequately documented. The CS also has the responsibility to constantly keep the Directors abreast and updated on the regulatory changes, via articles or bulletins.

The Board is satisfied with the performance and support rendered by the CS in assisting them to discharge their duties.

1.7. Board Charter

The Board Charter outlines the roles, responsibilities and commitment of the Board and the Board Committees, and elaborates the fiduciary duties of the Directors. The Board Charter is reviewed, when necessary, to ensure that it complies with applicable legislation and best practices while remaining effective.

2. STRENGTHEN COMPOSITION

2.1. Nomination Committee ("NC")

In 2015, the NC comprises three (3) Non-Executive Directors ("NEDs") of whom, two (2) are Independent NEDs and one (1) Non-Independent NED. The NC is chaired by Dato' Dr. Freezailah bin Che Yeom who is the Senior Independent NED of the Company.

The principal responsibility of the NC is to assist the Board in sourcing, recruiting and nominating new nominees for appointment to the Board and to ensure the Board comprises the required mix of skills and competencies. The duties and responsibilities of NC are:-

- Establish and formulate the nomination/selection procedures, succession policies, annual assessment and criteria for such nomination/selection and assessment for member of the Board and Board Committees;
- Making recommendations to the Board on new candidates for election/appointment. The candidates must have integrity, character and time commitment in addition to being skilful, knowledgeable and possess expertise and experiences relevant to the Company's principal activities;
- Reviewing the skills, experience and other qualities of the Board annually to ensure an appropriate range and mix of capabilities among members;

- Establish a set of qualitative and quantitative performance criteria and evaluate the effectiveness of the Board, Board Committees (including its size and composition) and the contribution of each individual director, including independent NEDs as well as the COO. All assessments and evaluations carried out shall be adequately documented;
- Ensure orientation and training programme are provided for new members of the Board. To evaluate and determine appropriate training suitable for Directors and review the fulfilment of such training needs;
- Consider and recommend the Directors for re-election / re-appointment at each Annual General Meeting ("AGM");
- Develop criteria to assess independence of the Independent Directors;

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

a. Recruitment or Appointment of Directors

The policies, procedures and process for recruitment and appointment (including re-election/re-appointment) of Directors, including Board or Board Committees, are set out in the TOR of the NC.

The NC shall ascertain that the newly appointed Directors are readily equipped with good skills, knowledge, expertise, experience, professionalism, character and integrity, in assisting the Board to discharge its responsibilities effectively. Furthermore, the candidates shall be able 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 shall retire from office at every AGM 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.

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. In year 2015, Mr. Chan Seng Fatt who was appointed on 17th December 2014 was re-elected at the 12th AGM.

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 performance evaluation on the Directors, through their skills, experience, expertise, level of independence and ability to act in the best interest for the Company in decision making as well as time commitment, character and integrity.

On 29 February 2016, the Board approved the recommendation of the NC that Dato' Leong Kok Wah, Dato' Seri (Dr.) Goh Eng Toon and Dato' Dr. Freezailah Bin Che Yeom, all of whom who are due to retire at the forthcoming 13th AGM be eligible to stand for re-election/re-appointment. All three Directors had expressed their intention to seek re-election/re-appointment at the 13th AGM.

In 2015, there is no recruitment or new appointment of Director to the Board or Board Committees.

b. Annual assessment

The NC carries out the annual performance evaluation on the Board. The effectiveness of the Board is assessed in the areas of Board composition, quality of information, decision-making and Boardroom activities, terms of each Director's skills and competencies,as well as Board diversity.

The NC, through the assessments, examines the Board and respective Board Committees, including the respective Chairmen, to ascertain that their functions and duties are effectively discharged as per the respective TORs.

The NC had on 29 February 2016 reviewed and conducted the annual assessment for all Directors.

c. Diversity policy

The criteria used by the Board in selecting the members besides skills, knowledge, talents and experiences, is also include their ability to contribute and assist the Board in discharging its duties and responsibilities effectively and competently, irrespective of gender, age and ethnicity.

There is no female member in the Board composition at the moment. However, the NC will consider including a female member(s) when a qualified candidate is identified.

2.3. Remuneration policies and procedures

The duties and responsibilities of the RC in relation to remuneration matters are: -

- To establish with periodic review; a competitive and attractive remuneration package compatible with prevailing value, sustainable individual performances with the job responsibilities, and is able to retain the Executive Directors ("EDs") needed to manage the Company successfully;
- To review the Directors' performance in line with the corporate objectives and to decide upon the remuneration package of the EDs; and
- To establish a formal and transparent procedure for developing policy on executive remuneration;

In 2015, the RC comprises three (3) NEDs of whom two (2) are Independent NEDs and one (1) Non-Independent NED. The RC is chaired by Dato' Seri (Dr.) Goh Eng Toon.

On 29 February 2016, the Board approved the recommendation from the RC to revise the Directors' fees for the NEDs as well as the remuneration package for EDs, after taking into consideration the results of the performance evaluations.

The Directors' remuneration packages for the Company for the financial year ended 2015 are as follow: -

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

Directors' Remuneration	Executive Directors (RM)	Non-Executive Directors (RM)
Salary	1,500,000.00	-
Bonus	315,000.00	-
Fees	-	270,000.00
Meeting Allowances	-	20,000.00
Benefits-In-Kind	72,079.87	-
Statutory Contribution	217,800.00	-
Total	**2,104,879.87**	**290,000.00**

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 RM900,000	-
RM900,001 – RM950,000	1
RM1,150,001 – RM1,200,000	1
Non-Executive Directors	
Less than RM100,000	3
RM100,001 – RM150,000	1

3. REINFORCE INDEPENDENCE

3.1. Annual assessment of independence

The Board, through the NC, will assess the independence of Independent NEDs annually. This is in line with Recommendation 3.1 of the MCCG 2012, as one of the factors in determining the Independent NEDs' eligibility to stand for re-election/re-appointment.

At the annual assessment carried out for the year 2015, the Board is satisfied with the level of independence demonstrated by all the Independent NEDs and their ability to act in the best interests of the Company during deliberations at the Board meetings.

The NC is satisfied that the Independent NEDs are independent of the Management and is free from any business or other relationships which could interfere with their exercise of independent judgement, objectivity or ability to act in the best interests of the Company. The Board therefore, recommends and supports the proposed re-appointment of Dato' Dr. Freezailah Bin Che Yeom, the Independent NED who is eligible to stand for re-appointment at the forthcoming 13th AGM, in accordance with Section 129(6) of the Companies Act, 1965.

3.2. Tenure of Independent Directors

The Board does not implement a nine-year tenure policy for Independent NEDs and hence this is NOT in line with Recommendation 3.2 of the MCCG 2012.

The Board believes that the expertise and experience with the Company's business operations provides benefits to the Group. The Board is of the views that significant advantages could be gained from the long-serving Independent Directors with their invaluable insight, detailed and in-depth knowledge of the Group.

3.3. Shareholders' approval for the retention of Independent Director who served more than nine (9) years

Dato' Dr. Freezailah bin Che Yeom was appointed to the Board as an Independent NED on 21 July 2003 and had served the Board for a cumulative term of thirteen (13) years. The NC had assessed his independence annually and recommended him to continue to act as an Independent NED of the Company based on the following justifications:-

i) He fulfils the criteria of an Independent Director pursuant to the Bursa Securities MMLR;

ii) He is familiar with the Company's business operations as he has been with the Company since year 2003;

iii) His long tenure with the Company has neither impaired nor compromised his independent judgement. He is free from any business or other relationships which could interfere with his exercise of 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 NED of the Company; and

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

The Board continues to recommend and support the retention of Dato' Dr. Freezailah bin Che Yeom as Independent NED of the Company, which will be tabled for shareholders' approval at the forthcoming 13th AGM.

3.4. Separation of positions of the Chairman and COO

The Chairman of the Board leads the Board with a dedication and focus on governance and compliance. The Board also monitors the Board Committee's functions to ascertain effectiveness in accordance with their respective TOR.

The positions of Chairman and COO are held by two different individuals. The COO manages the day-to-day business and operations of the Company and implements the Board's decisions. The distinct and separate roles of the Chairman and COO, with their clear division of duties and responsibilities, ensure a balance of power and authority, such that no one individual has unfettered decision-making powers.

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 of Salcon, comprises six (6) Directors, two (2) of whom are EDs and the remaining four (4) are NEDs.

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 NED. 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.

The Directors play an active role in the Board's decision-making process, offering vast experience and knowledge as well as independence and objectivity, acting in the best interests of the Company and safeguarding the stakeholders' interests.

4. FOSTER COMMITMENT

4.1. Time commitment

The quorum of Board meetings had been met with the attendance of the Directors.

The attendance of members at the Board and Board Committees meetings held during the financial year ended 31 December 2015 is as set out below:

#	Name	Designation	Number of meeting attended				
			BOD	AC	RMC	NC	RC
1	Dato' Seri (Dr.) Goh Eng Toon	Non-Independent Non-Executive Director/Chairman	5/5	5/5	N/A	1/1	1/1
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	5/5	N/A	0/1	N/A	N/A
4	Dato' Dr. Freezailah bin Che Yeom	Independent Non-Executive Director	5/5	5/5	N/A	1/1	1/1
5	Dato' Choong Moh Kheng	Independent Non-Executive Director	5/5	N/A	N/A	1/1	1/1
6	Chan Seng Fatt	Independent Non-Executive Director	5/5	5/5	1/1	N/A	N/A

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

4.2. Training

The Board emphasize strongly on the importance of continuing education and development for the Directors. This is to ensure the Directors are equipped with the necessary skills and updated knowledge to enhance and meet the challenges of the Group/Company.

In addition to the Mandatory Accredited Programme as required by the Bursa Securities, Board members are encouraged to attend training programmes, as and when necessary, conducted by competent professionals and which are relevant to the Company's operations and business. The Board had via the NC undertaken an assessment of the training needs of the Directors and discloses the trainings attended by Directors in the Annual Report.

During the financial year, all the Directors have attended training programmes and seminars, either in-house or by external service providers, as summarised below: -

#	Training Programmes / Seminar / Conferences attended	Date	Duration	Attended by					
				1	2	3	4	5	6
1	ASEAN Economic Integration: Will the ASEAN way fail the ASEAN Economic Community	23.04.15	< 8 hrs						√
2	Enterprise Risk Management (ERM) Briefing	29.04.15	< 8 hrs	√	√	√	√		√
3	Board Chairman Series Part 2: Leadership Excellence from Chair	27.07.15	1 day	√					
4	CG Breakfast Series with Directors: Bringing the Best Out in Boardrooms	31.07.15	< 8 hrs		√		√		
5	The Interplay Between CG, NFI & Investment Decision – What boards of listed companies need to know	22.09.15	< 8 hrs			√			
6	MIRA Conference 2015 – Malaysia's changing business landscape. Be prepared	27.10.15	< 8 hrs			√			
7	CG Breakfast Series – "Board Reward & Recognition"	26.11.15	< 8 hrs						√
8	National Seminar on Trans-Pacific Partnership Agreement (TPPA)	01.12.15	1 day		√			√	

Note:

1 Dato' Seri (Dr.) Goh Eng Toon
2 Tan Sri Dato' Tee Tiam Lee
3 Dato' Leong Kok Wah
4 Dato' Dr. Freezailah bin Che Yeom
5 Dato' Choong Moh Kheng
6 Chan Seng Fatt

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1. Compliance with applicable financial reporting standards

The Board is committed to ensure that the shareholders, stakeholders or potential investors are provided with a comprehensive understanding of the Company's financial position and future prospects through the issuances of Annual Audited Financial Statements, quarterly financial reports and corporate announcements on significant developments affecting the Company, in accordance with MMLR.

Mr. Chan Seng Fatt, the AC Chairman, is a Chartered Accountant of the Malaysian Institute of Accountant while the remaining AC members have accounting and financial experiences. The AC members will review the Company's financial statements in the presence of both external and internal auditors prior to the AC recommending them for approval by the Board and for issuance to the public.

The CFO formally presents the quarterly and year-end financial results to the AC and the Board for review. The CFO provided assurance to the AC and the Board that applicable Malaysian Financial Reporting Standards ("MFRS") and disclosure requirements of the MMLR had been adopted and applied consistently to the Annual Financial Statements and the quarterly results prior to the release to Bursa Securities. Additionally, the CFO ensures that these financial results did not contain material misstatements and provides a true and fair view of the financial positions of the Group for the financial year.

The Statement of Responsibilities by Directors in respect of the preparation of the Annual Audited Financial Statements is set out in the Financial Statements section of this Annual Report.

5.2. Assessment of suitability and independence of external auditors

The AC undertakes an annual assessment of the suitability and independence of the External Auditors ("EA"), currently; Messrs. KPMG ("KPMG"). In the assessment, the AC will consider several factors which include the adequacy of professionalism and experiences of the staff, the resources of the EA, the independence of and the level of non-audit services rendered to the Company for the financial year.

The EA have provided confirmation that they are independent in providing both audit and non-audit services up to the date of this statement.

Being satisfied with sustainability and independence of Messrs KPMG and recommended to the Board on re-appointment of KPMG as EA for the financial year ending 31 December 2016. On 29th February 2016, the Board approved AC's recommendation for the re-appointment of Messrs KPMG, for the shareholders' approval at the forthcoming 13th AGM.

6. RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The RMC, assisted by the Risk Management Working Group ("RMWG"), oversees the ERM 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).

The RMWG conducts reviews and enterprise wide risk assessments on all entities of the Group on a semi-annual basis. 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 financial position, operational processes and goodwill of the Company. Adequate disclosures on the implementation status of the Risk Management system are also provided in this Annual Report.

However, for the year 2015, the Company is implementing a comprehensive review and restructuring of the ERM framework which includes review, re-evaluation and enhancements of existing/new categories of risks and risk factors to the Integrated Risk Management Policy ("IRMP"). This comprehensive review is to enable the Company:

- To incorporate applicable recent and relevant Bursa Securities guidelines;
- To realign the Company's ERM framework and comply more closely with ISO 31000 standards on Risk Management Process;
- To integrate all applicable potential risk categories/factors to accommodate the Company's diversification into property development, telecommunications, renewal energy and others, into the existing ERM framework especially after the monetization of China's water and wastewater concessions;
- Upgrade and enhance the Company's risk management software system to enhance assessment, evaluation and reporting on the Company's ERM framework

Therefore, to facilitate this on-going comprehensive enhancement exercise, the Company has temporarily suspended scheduled semi-annual reviews and enterprise wide assessments on all applicable entities in 2015. However, we have not let up in efforts to continue monitoring on those risks identified earlier.

Notwithstanding the above, review on the adequacy of internal controls on subsidiaries / projects were still conducted via internal audits reviews/exercise with recommendations to overcome any weaknesses noted.

6.2 Internal audit function

The Board has established an in-house internal audit function under the IARMD, which functionally reports directly to AC and administratively to the COO. IARMD periodically presents reports to the AC on the results of audit assessment, including evaluation on the adequacy and effectiveness of governance, risk management and internal controls processes within the Group, via unbiased and independent validation checks on applicable entities.

Details of the internal control system and risk management framework are set out in the SORMIC in this Annual Report.

7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

Salcon, as a Public Listed Company ("PLC"), shall adhere and comply with MMLR. Clear roles and responsibilities of Directors, Management and employees are provided with the levels of authority. Designated person, spokespersons or committees are appointed in the handling and disclosure of material information. The persons responsible for preparing the disclosure will conduct proper verification and coordinate the timely disclosure of material information prior release to the public.

The Company has put in place an internal policy, such as Insider Trading Policy ("ITP") and COEC, to ensure that confidential information is handled properly by designated person to avoid leakage and improper use of such information. The Board is mindful that information which is expected to be material must be announced immediately in accordance with the MMLR.

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

The Company's website includes an Investors' section which provides all relevant information on the Company, and it is accessible to the public. This section enhances the IR function by including all announcements made by the Company to Bursa Securities, share price information, annual reports and the corporate governance structure of the Company. This information is made available on Company's website for the benefit of potential investors, stakeholders and shareholders who are unable to attend the general meetings.

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 FB. The Company's CAD monitors the platform on a daily basis and directs all enquiries to the relevant departments to ensure that all enquiries are responded in the soonest manner.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

Salcon dispatches the AGM notices to shareholders at least twenty-one (21) days before the AGM, together with the Annual Report and Circular/Statements to shareholders, if any. Sufficient time is given to shareholders for them to make necessary arrangements to attend and participate in person or by corporate representative, proxy or attorney. The Notice of the AGM is also advertised in a major local newspapers.

At the 12th AGM held on 25 June 2015, the Chairman briefed and encouraged members, corporate representatives and proxies who were present of their right to speak and vote on the resolutions set out in the Notice of the 12th AGM. The Chairman and where appropriate, the EDs will provide answer after the AGM for significant questions that are not readily answered at the AGM.

8.2 Encourage poll voting

In line with the recommendation of the MCCG 2012, the Board encourages shareholders to put forth substantive resolutions for shareholders' approval by poll voting at the general meetings. During the 12th AGM, all resolutions were voted by a show of hands, instead by poll.

8.3 Effective communication and proactive engagements with shareholders

At the 12th AGM, all six (6) Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company. The Chairman invited shareholders to raise questions pertaining to the Company's accounts and proposed resolutions during the meeting, before putting the resolutions to vote. The COO, CFO and EA were also present to respond to the shareholders' queries.

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 following: -

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

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

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

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

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

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

The Proposed Disposals of the entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited pursuant to the SPA-A were deemed completed on 23 December 2013. While for the Proposed Disposals pursuant to SPA-B, Salcon and BEWG had mutually agreed to an extension to 30 April 2016 for the fulfilment of the conditions of the SPA-B.

The status of the utilisation of the proceeds as at 30 March 2016 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	(40,556)	(10,556)
Working capital	10,397	(10,397)	-
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	(64)
Total	**369,374**	**(183,994)**	**185,380**

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 2015.

Non-audit Fee

Other than the following, there was no non-audit fee to the external auditors for the financial year ended 31 December 2015:

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 2015, contained in this Annual Report does not deviate by more than 10% from the unaudited results of the Group announced on 29th February 2016.

Share Buy-Back

Details of the shares bought back / resold during the financial year ended 31 December 2015 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
January 2015	1,017,100	0.605	0.580	0.593	609,619.11
March 2015	32,400	0.730	0.730	0.730	23,825.01
July 2015	2,871,000	0.780	0.690	0.735	2,180,846.88
August 2015	1,515,200	0.700	0.585	0.643	947,217.04
September 2015	440,000	0.600	0.580	0.590	261,562.84
Total	**5,875,700**				**4,023,070.88**

Month of Resale	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	0.745	0.750	0.7475	5,955,875.00
Total	**8,000,000**				**5,955,875.00**

As at 31 December 2015, the number of treasury shares held was 5,000,700 shares. No treasury shares were cancelled during the financial year ended 31 December 2015.

Options or Convertible Securities Exercised

The Company did not issue any options or convertible securities during the financial year ended 31 December 2015.

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders at the Company's Extraordinary General Meeting held on 23 June 2010, for a period of five (5) years up to 6 July 2015. The details of the ESOS exercised are disclosed in page 171 of the financial statements.

Employees' Share Option Scheme

The ESOS is the only scheme of the Company in existence during the financial year.

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

Granted to Employees	During the financial year ended 31 December 2015	Since commencement of the ESOS on 9th July 2010
Total number of options or shares granted	-	52,903,750
Total number of options exercised or share vested	(3,054,300)	(49,824,800)
Total options or shares outstanding*	24,650	3,078,950

Granted to Executive Directors and Senior Management	During the financial year ended 31 December 2015	Since commencement of the ESOS on 9th July 2010
Total number of options or shares granted	-	9,175,000
Total number of options exercised or share vested	(775,000)	(8,400,000)
Total options or shares outstanding*	-	775,000

* The ESOS of the Company has expired on 6 July 2015

Granted to Executive Directors and Senior Management	During the financial year ended 31 December 2015	Since commencement of the ESOS on 9th July 2010
Aggregate maximum allocation in percentage	-	50
Actual percentage granted	-	13

There was no share option granted to or exercised by the Non-Execitive Directors during the financial year.

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

Depository Receipt Programme

The Company did not sponsor any depository receipt programmes during the financial year ended 31 December 2015.

Impositions of Sanctions / Penalties

During the financial year ended 31 December 2015, there were no public 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 ended 31 December 2015, 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 2015, 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 ("AC") of Salcon Berhad ("Salcon" or "the Company") is pleased to present its report for the financial year ("FY") ended 31 December 2015.

Composition

The AC comprises three (3) members, whom are all Non-Executive Directors ("NEDs"), with two (2) being Independent NEDs and one (1) Non-Independent NED. This has met the requirements as stated in Paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("MMLR").

The AC comprises the following members:

Chan Seng Fatt *(Chairman)*	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

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

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

The TOR of AC is available for reference at the Company's website, www.salcon.com.my.

Meetings

The AC had conducted five (5) meetings in FY 2015; with the participation of External Auditors ("EA"), Messrs. KPMG; and Head of Internal Audit, where necessary. The Chief Operating Officer and Chief Financial Officer ("CFO") were invited to all AC meetings to facilitate their direct communications and provide clarifications on applicable audit issues pertaining to the Company's operations.

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

The details of attendance of the AC members are outlined in the CG Statement of this Annual Report.

Part of the AC's responsibility is to ensure the reliability of the Company's annual/quarterly financial results and the Company's compliance with applicable Malaysian Financial Reporting Standards ("MFRS"). The CFO conducts a briefing/presentation of the annual/quarterly financial statements before these statements are presented to the AC for review and for AC's recommendation to the BOD for approval.

During the first AC meeting in 2015, EA confirmed that they were provided unfettered access to information and enjoyed full cooperation from the Management throughout the course of their audit. EA were also invited to raise any matters that they considered important, to the AC's attention. The AC had met with EA twice, without the presence of the Company's Executive Directors and Management. During these two (2) meetings, the AC enquired about the Company Management's co-operation with EA, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

Minutes of each AC meeting were prepared and confirmed in the subsequent AC meeting, and subsequently presented to the BOD for notation. For FY 2015, the AC had reviewed and recommended the annual / quarterly financial results and the declarations of final dividends to the BOD.

Summary of Activities of AC

The AC's activities during the FY ended 31 December 2015 comprised the following:

- On 25 February 2015, the AC reviewed the FY2014 proposed audit and non-audit services fees payable to EA and recommended them to the BOD for approval.

- On 29 April 2015, the AC reviewed the Audited Financial Statements of the Company and the Group for FY ended 31 December 2014, and recommended them to the BOD for approval.

- On 30 November 2015, the AC reviewed the Annual Audit Plan for FY 2015 in relation to audit services as well as recurring non-audit services to be provided by the EA. The Annual Audit Plan includes review by the EA of the reliability of Financial Statement and express of opinion based on the audit work. The recurring non-audit services cover annual review of the Statement on Risk Management and Internal Control as well as the extended audit scope on the process of compilation of the disclosure of realized and unrealized profit or losses. Additionally, the AC was satisfied that there were no conflicts of interest or impairment to the independence and objectivity of the EA, while considering the nature and scope of non-audit work.

  Being satisfied with performance of the EA, the AC recommended to the BOD the re-appointment of KPMG as EA for the FY ending 31 December 2016.

- Financial Reporting wise, the AC reviewed the quarterly financial statements during the AC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2014 was conducted on 25 February 2015; and the reviews of the quarterly results of first, second and third quarters for FY 2015, were conducted on 28 May 2015, 27 August 2015 and 30 November 2015 respectively.

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 AC. All internal audit activities for the FY ended 31 December 2015 were conducted by IARMD. There were no areas of the internal audit function which were outsourced. The total cost incurred by the Group's internal audit function for the year under review was approximately RM470,000.

AUDIT COMMITTEE REPORT

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

- IARMD had conducted audit review activities as per the 2015 Audit Plan as approved by the AC on 20 November 2014.

- IARMD presented applicable Internal Audit ("IA") reports as conducted, during scheduled AC meetings in the following format :-

    - The summarized audit findings with statuses and progresses;
    - Management responses to IARMD's findings and corrective recommendations; and
    - Follow up on previous years' issues and statuses of actions taken.

- During scheduled AC Meetings in FY 2015, IARMD gave assurance to the AC that there was no material issue / misstatement or major deficiency noted that posed a high risk to the overall internal control system of the Group.

  The scope of audit engagements in FY 2015 had covered the following:-

    - Compliance to regulatory, law and regulation;
    - Reliability of financial information;
    - Safeguarding of assets;
    - Attainment of objectives; and
    - Efficiency and economy

- On 25 February 2015, the AC reviewed the Audit Committee Report and the CG Statement, and recommended their incorporation into the Company's 2014 Annual Report. The AC further reviewed the adequacy of the scope, functions, competency and resources of the Company's IARMD.

- On 29 April 2015, the AC discussed and approved the revised Internal Audit Charter, which had been realigned with the Institute of Internal Auditors' Internal Auditing Professional Practice Framework. Additionally, the AC reviewed the Statement on Risk Management and Internal Control, and recommended the same to BOD for approval for incorporation into the Company's 2014 Annual Report.

- On 27 August 2015, AC reviewed and discussed the IA report for the group's activities.

- On 30 November 2015, the AC conducted the following:-

    - Reviewed and approved the annual Audit Plan for FY 2016;
    - Reviewed and discussed IA report presented by IARMD for the group's activities; and
    - Reviewed the Statement on Risk Management and Internal Control and forwarded the same to the EA for review prior to incorporation into 2015 EA Audit Report.

STATEMENT OF VERIFICATION ON ALLOCATION OF OPTIONS PURSUANT TO EMPLOYEE SHARE OPTION SCHEME ("ESOS")

As per Paragraph 8.17(3) of MMLR, there was no new allocation of share options during FY 2015.The ESOS expired by on 6 July 2015.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Salcon Berhad ("Salcon" or "the Company") is committed to maintain a sound internal control and risk management system. Each project and department of the Company and its subsidiaries ("the Group") has implemented its own control processes under the leadership of the Executive Members of the Board together with the Chief Operating Officer ("COO"), who are responsible for good business and regulatory governance. The following statements outline the nature and scope of the Group's internal control and risk management in 2015.

Board Responsibilities

The Board acknowledges its responsibility for the Group's internal control and risk management system and reviews its adequacy and robustness. The internal control system covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters. The Board is aware that this system is designed to manage and mitigate, rather than eliminate, the risks of not adhering to the Group's policies, procedures and preventing in achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system is to provide reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2015, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") based on the internal audits conducted by the in-house Internal Audit and Risk Management Department ("IARMD") during the year. Audit findings, recommendations and management replies to address the issues highlighted by IARMD were presented to the members during the AC meetings.

The Risk Management Committee ("RMC") has been established since year 2006 with the purpose of providing risk oversight and ascertaining implementation of the Group's businesses and operations. The Group's Risk Management Framework is outlined in its Integrated Risk Management Policy.

Internal control and risk-related matters which required the Board's attention were recommended by the AC and RMC to the Board for its approval, and decisions made by the AC and RMC were updated to the Board for its review and necessary actions.

Internal Audit Function

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

The internal audit function reviews the key activities of the Group based on an annual audit plan approved by the AC. The plan is prepared by the IARMD based on the Corporate Risk Registers of the operating entities within the Group. The AC reviews the scope of work to be carried out and 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. Subsequent to the reviews, the AC shall highlight the pertinent findings to the Board for necessary actions on a quarterly basis or as appropriate.

Control Processes and Risks

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

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

- Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad, is certified to the ISO9001:2008 and ISO14001:2004 quality and environmental management systems at the corporate office and project levels. The Group is committed to ensure quality and minimum adverse environmental impact. Quality and Environmental Policy Statements and ISO Procedures have been established, implemented, reviewed and updated as and when necessary.
- Several trainings are carried out during the year on environmental and quality performances for activities undertaken at the project sites and corporate office by Quality Assurance / Quality Control ("QA/QC") and Safety, Health & Environmental ("S.H.E") departments.
- SEB is certified to the Occupational Safety & Health OHSAS18001 (2007) requirements, 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 have been established to represent the Group's commitment to ensure and 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.

2. Authority and Responsibilities

- The Board delegates certain duties and responsibilities to Board Committee through the clearly defined Terms of Reference ("TOR"). The TOR is reviewed as and when necessary and it is available at the Company's website, www.salcon.com.my.
- The authority limit and signatory document is reviewed periodically to reflect the authority and authorization limit of the Management in all aspects of the Group's major business operations and regulatory functions.

3. Monitoring and Reporting

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

4. Policies and Procedures

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

5. Audit

- IARMD evaluates compliance of policies and procedures through internal audit review.IARMD discharged its responsibilities, through guidance in the Terms of Reference in the Group's Integrated Risk Management policy and reported to the AC via internal audit reports. In the internal audit reports, highlights such as compliance of rules and regulations, internal policies, areas of improvement, management action plan, etc. were written and notified for AC and Board to evaluate the risks.

- The surveillance and re-certification audit for ISO9001:2008, ISO14001:2004 and OHSAS18001: 2007 is carried by Bureau Veritas.
- An External Auditor has been engaged to provide audit and non-audit services to the Group for the year 2015. Nature of non-audit services provided is available at the Corporate Governance Statement in this Annual Report.

6. Risk Management

- The Group has implemented an Enterprise Risk Management ("ERM") framework to manage all relevant risks that can affect the Company's business and operations. The ERM framework is a risk governance structure comprising of RMC Risk Management Working Group ("RMWG") and IARMD is tasked with the responsibilities and accountabilities for implementing and monitoring risk management.
- The RMC is established to provide oversight and assurance concerning the Group's risk profile to the Board. The RMC had one (1) meeting during the year.
- The RMWG is established to assist the Board and RMC to facilitate/update at business units' level on the identification and communication of present or potential critical risks that identified. The RMWG are represented by head of subsidiaries, divisions and departments.
- IARMD reports directly to the AC/RMC and provides independent and reasonable assurance of the adequacy and reliability of risk management processes and internal control system.
- There is an established process for risks identification, assessment, communication and monitoring. IARMD continues to review the risks and the effectiveness of risk mitigation strategies and controls at the corporate, divisional and projects levels. The Group has been using Q-Radar software to facilitate the monitoring functions and enhance the process and reporting structure.
- The risk tolerance level is presented via the use of a risk impact and likelihood matrix with an established risk tolerance boundary to distinguish those risks that are deemed to be high or low.

7. Performance Measurement

- Annual employees' performance appraisals are conducted to review the contributions or achievement by employees. The Company would reward the employees based on the result of the appraisals.
- QA/QC department conducts customer satisfaction survey on yearly basis in order to improve for future effectiveness and efficiency.
- Procurement department conducts performance evaluation on suppliers / sub-contractors on their product delivered or services rendered. Qualified suppliers / sub-contractors will be maintained in approved vendor / suppliers list for future work award.

8. Staff Competency

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

9. Conduct of Staffs

- A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.
- Salcon Insider Trading Policy ("SITP") has been established to provide guidance and ascertain material nonpublic information is not misused.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

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

10. Insurance

- Insurance coverage and safeguarding on assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. Annual renewal policy is undertaken by Management to review the coverage based on the current fixed asset register and the respective net book values. The Company seeks professional advice to assist by conducting a risk assessment on the adequacy of the intended coverage.
- The Company purchases Workman Compensation and Contractors All Risk insurance for each project. The sum insured is in accordance with the requirement stated in the Letter of Award of each project.

Review of this statement

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

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

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Conclusion

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the COO and CFO that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by AC to the Board for approval on 4 April 2016.

FINANCIAL STATEMENTS

OTHER INFORMATION

PROXY FORM

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	5,540	47,913
Non-controlling interests	(13,160)	-
	(7,620)	47,913

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 RM20,325,000 in respect of the financial year ended 31 December 2014 on 16 July 2015.

A first and final single tier tax exempt dividend of 2.0 sen per ordinary share totalling RM13,554,000 was recommended by the Directors in respect of the financial year ended 31 December 2015 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

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares 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 1.1.2015	Bought	Sold	At 31.12.2015
The Company				
Direct interest				
Dato' Seri (Dr.) Goh Eng Toon	2,300,000	-	-	2,300,000
Tan Sri Dato' Tee Tiam Lee	29,696,400	8,910,000	-	38,606,400
Dato' Leong Kok Wah	3,600,000	-	-	3,600,000
Dato' Dr. Freezailah bin Che Yeom	1,750,400	-	-	1,750,400
Dato' Choong Moh Kheng	3,450,000	-	650,000	2,800,000
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)	8,150,000	-	700,000	7,450,000

(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' 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 3,054,300 new ordinary shares of RM0.50 each for total cash consideration amounting to RM1,645,000 pursuant to the exercise of ESOS at a weighted average exercise price of RM0.54 per ordinary 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.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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.

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.

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

ii) Eligibility to participate in the ESOS (Cont'd)

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.

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 1.1.2015	Granted	Exercised	Forfeited/ Lapsed	At 31.12.2015
9 July 2010	RM0.57	1,675,700	-	1,651,700	24,000	-
1 July 2011	RM0.52	92,000	-	92,000	-	-
2 July 2012	RM0.50	30,000	-	30,000	-	-
14 May 2013	RM0.50	1,281,250	-	1,280,600	650	-

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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: 4 April 2016

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	67,947	73,816	969	-
Intangible assets	4	21,831	21,831	-	-
Investment properties	5	8,485	8,446	-	-
Investments in subsidiaries	6	-	-	98,229	157,227
Investments in associates	7	27,266	27,674	49	-
Investments in joint ventures	8	23,036	22,898	23,500	23,500
Other investments	9	-	-	-	-
Deferred tax assets	10	3,698	5,864	-	-
Total non-current assets		152,263	160,529	122,747	180,727
Trade and other receivables	11	158,835	205,991	226,110	180,074
Inventories	12	163,141	146,061	-	-
Current tax assets		1,034	1,311	179	582
Assets classified as held for sale	13	197,615	142,042	-	-
Cash and cash equivalents	14	277,855	294,453	190,557	150,140
Total current assets		798,480	789,858	416,846	330,796
Total assets		950,743	950,387	539,593	511,523
Equity					
Share capital		338,847	337,320	338,847	337,320
Reserves		195,193	146,808	82,119	81,385
Retained earnings		42,608	56,288	95,148	66,455
Total equity attributable to owners of the Company	15	576,748	540,416	516,114	485,160
Non-controlling interests		27,213	101,550	-	-
Total equity		603,961	641,966	516,114	485,160
Liabilities					
Loans and borrowings	16	68,312	84,951	701	-
Deferred tax liabilities	10	9,998	9,327	-	-
Total non-current liabilities		78,310	94,278	701	-
Trade and other payables	18	118,062	113,498	22,591	26,072
Loans and borrowings	16	9,693	13,594	187	291
Current tax liabilities		1,227	1,702	-	-
Liabilities classified as held for sale	13	139,490	85,349	-	-
Total current liabilities		268,472	214,143	22,778	26,363
Total liabilities		346,782	308,421	23,479	26,363
Total equity and liabilities		950,743	950,387	539,593	511,523

The notes on pages 90 to 173 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	19	123,079	194,465	933	66,584
Cost of sales		(88,936)	(165,925)	-	-
Gross profit		34,143	28,540	933	66,584
Other income		32,089	12,474	51,005	9,674
Distribution expenses		(2,602)	(3,420)	(68)	(26)
Administrative expenses		(43,501)	(38,315)	(10,110)	(8,739)
Other expenses		(4,232)	(2,465)	-	(4,257)
Results from operating activities		15,897	(3,186)	41,760	63,236
Finance income		5,025	8,400	6,988	4,864
Finance costs	21	(5,576)	(1,928)	(29)	-
Operating profit		15,346	3,286	48,719	68,100
Share of profit of equity- accounted associates/ joint ventures, net of tax		4,493	2,370	-	-
Profit before tax		19,839	5,656	48,719	68,100
Tax expense	22	(9,369)	(3,742)	(806)	(472)
Profit from continuing operations		10,470	1,914	47,913	67,628
Discontinued operation					
(Loss)/Profit from discontinued operation, net of tax	23	(18,090)	34,993	-	-
(Loss)/Profit for the year	24	(7,620)	36,907	47,913	67,628
Other comprehensive expense, net of tax					
Foreign currency translation differences for foreign operations	25	(11,368)	(21,977)	-	-
Other comprehensive expense for the year, net of tax		(11,368)	(21,977)	-	-
Total comprehensive (expense)/income for the year		(18,988)	14,930	47,913	67,628
Profit/(Loss) attributable to:					
Owners of the Company		5,540	4,608	47,913	67,628
Non-controlling interests		(13,160)	32,299	-	
(Loss)/Profit for the year		(7,620)	36,907	47,913	67,628

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Total comprehensive income/(expense) attributable to:					
Owners of the Company		14,102	(23,686)	47,913	67,628
Non-controlling interest		(33,090)	38,616	-	
Total comprehensive (expense)/income for the year		(18,988)	14,930	47,913	67,628
Basic earnings/(loss) per ordinary share (sen):	26				
from continuing operations		1.78	(3.29)		
from discontinued operation		(0.96)	4.00		
		0.82	0.71		
Diluted earnings/(loss) per ordinary share (sen):	26				
from continuing operations		1.78	(3.29)		
from discontinued operation		(0.96)	4.00		
		0.82	0.71		

The notes on pages 90 to 173 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to Owners of the Company										
			Non-distributable						Distributable			
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
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 (expense)/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 other comprehensive (expense)/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)
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	Note 15				

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

		Attributable to Owners of the Company										
			Non-distributable					Distributable				
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
At 1 January 2015		337,320	84,937	-	2,235	482	63,188	(4,034)	56,288	540,416	101,550	641,966
Foreign currency translation differences for foreign operations		-	-	-	8,562	-	-	-	-	8,562	(19,930)	(11,368)
Total other comprehensive income/(expense) for the year		-	-	-	8,562	-	-	-	-	8,562	(19,930)	(11,368)
Profit/(loss) for the year		-	-	-	-	-	-	-	5,540	5,540	(13,160)	(7,620)
Total other comprehensive income/(expense) for the year		-	-	-	8,562	-	-	-	5,540	14,102	(33,090)	(18,988)
Own shares acquired		-	-	-	-	-	-	(4,316)	-	(4,316)	-	(4,316)
Resale of treasury shares		-	-	-	-	-	-	4,851	1,105	5,956	-	5,956
Share-based payment transactions	17	-	-	-	-	81	-	-	-	81	-	81
Dividends to owners	27	-	-	-	-	-	-	-	(20,325)	(20,325)	-	(20,325)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(1,457)	(1,457)
Share options exercised		1,527	681	-	-	(563)	-	-	-	1,645	-	1,645
		1,527	681	-	-	(482)	-	535	(19,220)	(16,959)	(1,457)	(18,416)
Total transactions with owners of the Company		1,527	681	-	-	(482)	-	535	(19,220)	(16,959)	(1,457)	(18,416)
Capital reduction in a subsidiary		-	-	-	-	-	-	-	-	-	(39,790)	(39,790)
Government grants received		-	-	-	-	-	39,189	-	-	39,189	-	39,189
At 31 December 2015		338,847	85,618	-	10,797	-	102,377	(3,499)	42,608	576,748	27,213	603,961
		Note 15	Note 15	Note 15	Note 15	Note 15	Note 15	Note 15				

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

Company	Note	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Share option reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable				→	Distributable	
At 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 2014/1 January 2015		337,320	84,937	-	482	(4,034)	66,455	485,160
Profit and total comprehensive income for the year		-	-	-	-	-	47,913	47,913
Share-based payment transactions	17	-	-	-	81	-	-	81
Own shares acquired		-	-	-	-	(4,316)	-	(4,316)
Resale of treasury shares		-	-	-	-	4,851	1,105	5,956
Share options exercised		1,527	681	-	(563)	-	8,819	1,645
Dividends to owners	27	-	-	-	-	-	(19,220)	(20,325)
Total transactions with owners of the Company		1,527	681	-	(482)	535	(10,401)	(16,959)
At 31 December 2015		338,847	85,618	-	-	(3,499)	95,148	516,114
		Note 15	Note 15	Note 15	Note 15	Note 15		

The notes on pages 90 to 173 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
Profit/(Loss) before tax				
- continuing operations	19,839	5,656	48,719	68,100
- discontinued operation	(16,084)	35,264	-	-
	3,755	40,920	48,719	68,100
Adjustments for:				
Allowance for impairment loss on property, plant and equipment	3,157	-	-	-
Amortisation of concession intangible assets	4,990	4,072	-	-
Change in fair value of investment properties	(39)	-	-	-
Depreciation of property, plant and equipment	7,083	6,624	161	-
Dividend income	-	-	(933)	(66,584)
Equity settled share-based payment transactions	81	162	81	162
Finance costs	5,677	2,171	29	-
Finance income	(5,099)	(8,463)	(6,988)	(4,864)
Gain on disposal of equity interest in subsidiaries	-	(68,996)	-	-
Net allowance for impairment loss on financial assets	1,210	801	-	-
Net loss/(gain) on disposal of property, plant and equipment	2	(30)	-	-
Property, plant and equipment written off	8,355	4,782	-	-
Share of profit of equity-accounted associates/joint ventures, net of tax	(4,493)	(2,370)	-	-
Unrealised foreign exchange differences	(30,330)	(848)	(36,406)	(8,271)
Operating (loss)/profit before changes in working capital	(5,651)	(21,175)	4,663	(11,457)
Changes in trade and other receivables	16,006	39,130	(10,316)	4,022
Changes in inventories	(17,080)	(119,994)	-	-
Changes in trade and other payables	58,704	(31,495)	(3,482)	(16,434)
Cash generated from/(used in) operations	51,979	(133,534)	(9,135)	(23,869)
Tax paid	(8,735)	(3,410)	(403)	(18)
Net cash from/(used in) operating activities	43,244	(136,944)	(9,538)	(23,887)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,581)	(1,708)	(130)	-
Acquisition of joint ventures	-	(23,896)	-	(23,500)
Subscription of shares in an associate	(49)	-	(49)	-
Acquisition of a subsidiary, net of cash acquired (Note 35)	-	(13,497)	-	-
Dividends received from				
- Associate	4,116	3,544	-	-
- Subsidiaries	-	-	933	66,584
Interest received	5,099	8,463	6,988	4,864
Proceeds from disposal of discontinued operations, net of cash & cash equivalents disposed of (Note 23)	-	237,315	-	-
Proceeds from disposal of property, plant and equipment	240	153	-	-
Proceeds from distribution of capital from investment in a subsidiary	-	-	59,685	-

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities (Cont'd)				
Return of investment in a subsidiary to non-controlling interest	(43,150)	-	-	-
Subscription to shares in subsidiaries	-	-	-	(7)
Net cash (used in)/from investing activities	(36,325)	210,374	67,427	47,941
Cash flows from financing activities				
Dividends paid to non-controlling interests	(1,457)	(45,036)	-	-
Dividends paid to owners of the Company	(20,325)	(20,230)	(20,325)	(20,230)
Net proceeds from issue of share capital	1,645	45,929	1,645	45,929
Repayment of finance lease liabilities	(4,670)	(4,381)	(112)	-
Proceeds from government grant	39,189	35,856	-	-
Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	-	3	-	-
Proceeds from disposal of treasury shares	5,956	-	5,956	-
Interest paid	(5,677)	(2,171)	(29)	-
Drawdown from borrowings	-	76,000	-	-
Repayment of borrowings	(16,315)	(4,576)	-	-
Repurchase of treasury shares	(4,316)	(4,034)	(4,316)	(4,034)
Net cash (used in)/from financing activities	(5,970)	77,360	(17,181)	21,665
Net increase in cash and cash equivalents	949	150,790	40,708	45,719
Cash and cash equivalents at 1 January	293,393	146,427	149,849	104,130
Effect of exchange rate fluctuations on cash held	(16,692)	(3,824)	-	-
Cash and cash equivalents at 31 December	277,650	293,393	190,557	149,849

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	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits placed with licensed banks	14	162,664	191,343	113,635	74,299
Cash and bank balances	14	115,191	103,110	76,922	75,841
Bank overdrafts	16	(205)	(1,060)	-	(291)
		277,650	293,393	190,557	149,849

Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM3,881,000 (2014: RM1,828,000) and RM1,130,000 (2014: Nil) respectively, of which RM1,300,000 (2014: RM120,000) and RM1,000,000 (2014: Nil) respectively were acquired by means of finance leases.

The notes on pages 90 to 173 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2015 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 4 April 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

- MFRS 14, *Regulatory Deferral Accounts**
- 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*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- 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**

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

- 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 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

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

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

- 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 those marked with which are not applicable to the Group and the Company.
- 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 is 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 is currently assessing the financial impact that may arise from the adoption of MFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONT'D)

(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 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 investment properties
- Note 10 - recognition of deferred tax assets on unutilised tax losses

2. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (cont'd)

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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 accountedfor as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(vi) Joint arrangements (cont'd)

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 profit and loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

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

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(i) Foreign currency transactions (cont'd)

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 treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(i) Initial recognition and measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(c) Available-for-sale financial assets (cont'd)

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)).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the 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.

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

- leasehold land 99 years
- buildings 30 - 50 years
- plant and machinery 5 - 50 years
- motor vehicles 5 - 10 years
- furniture and fittings 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leased assets (Cont'd)

(i) Finance lease (cont'd)

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.

(f) Intangible assets

(i) Goodwill

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

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(iii) Concession intangible assets (cont'd)

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.

The estimated useful lives are as follows:

- concession rights 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) Investment properties

(i) Investment properties carried at fair value

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties (Cont'd)

(i) Investment properties carried at fair value (cont'd)

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

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

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Inventories (Cont'd)

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.

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

(j) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments 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 measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (cont'd)

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

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

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

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

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Equity instruments (Cont'd)

(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.

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (Cont'd)

(iii) Defined benefit plans (cont'd)

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

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

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

(iv) Share-based payment transactions

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

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

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

(o) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Provisions (Cont'd)

Contingent liabilities

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

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

(p) Revenue and other income

(i) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income (Cont'd)

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

(v) Dividend income

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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(t) Discontinued operations

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Earnings per ordinary share

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Service concession arrangements (Cont'd)

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

(x) Fair value measurements

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

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

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.

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 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 January 2015	1,156	4,313	55,193	27,697	3,904	-	92,263
Additions	-	78	741	2,884	178	-	3,881
Transfer to project costs	-	-	-	(98)	-	-	(98)
Disposals	-	-	-	(651)	-	-	(651)
Write-off	(423)	-	(9,895)	-	-	-	(10,318)
Effect of movements in exchange rates	-	-	9,139	10	19	-	9,168
At 31 December 2015	733	4,391	55,178	29,842	4,101	-	94,245

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group Depreciation and impairment loss	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 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 2014/1 January 2015							
Accumulated depreciation	78	168	4,100	10,950	3,151	-	18,447
Accumulated impairment loss	-	-	-	-	-	-	-
	78	168	4,100	10,950	3,151	-	18,447
Depreciation for the year	3	43	3,249	2,999	362	-	6,656
Impairment losses	-	-	3,157	-	-	-	3,157
Transfer to project costs	-	-	-	(74)	-	-	(74)
Disposals	-	-	-	(409)	-	-	(409)
Write-off	(81)	-	(1,882)	-	-	-	(1,963)
Effect of movements in exchange rates	-	-	460	10	14	-	484
At 31 December 2015							
Accumulated depreciation	-	211	5,927	13,476	3,527	-	23,141
Accumulated impairment loss	-	-	3,157	-	-	-	3,157
	-	211	9,084	13,476	3,527	-	26,298
Carrying amounts							
At 1 January 2014	1,082	4,188	284	19,539	746	57,273	83,112
At 31 December 2014/1 January 2015	1,078	4,145	51,093	16,747	753	-	73,816
At 31 December 2015	733	4,180	46,094	16,366	574	-	67,947

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company Cost	Motor Vehicles RM'000	Total RM'000
At 1 January 2015	-	-
Additions	1,130	1,130
At 31 December 2015	1,130	1,130
Depreciation		
At 1 January 2015	-	-
Depreciation for the year	161	161
At 31 December 2015	161	161
Carrying amounts		
At 1 January 2015	-	-
At 31 December 2015	969	969

Assets under finance lease

Included in property, plant and equipment of the Group and the Company are motor vehicles and plant and machinery acquired under finance lease agreements with net book value of RM13,659,000 (2014: RM15,517,000) and RM969,000 (2014: Nil).

4. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Land use rights RM'000	Total RM'000
At 1 January 2014		3,683	-	3,683
Additions	35	-	18,148	18,148
At 31 December 2014/1 January 2015		3,683	18,148	21,831
Additions		-	-	-
At 31 December 2015		3,683	18,148	21,831

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.

4. INTANGIBLE ASSETS (CONT'D)

Goodwill (Cont'd)

Impairment testing for cash-generating units containing goodwill (cont'd)

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 2014 and 2015, 3 years cash flow projections were prepared. An average growth rate of 5 percent (2014: 5 percent) was incorporated into the projections.

- A pre-tax discount rate of 10 percent (2014: 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 not result in impairment losses.

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.

5. INVESTMENT PROPERTIES

	Group	
	2015 RM'000	**2014 RM'000**
At 1 January	8,446	8,446
Change in the fair value recognised in profit or loss	39	-
At 31 December	8,485	8,446

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES (CONT'D)

Included in the above are:

	Group 2015 RM'000	Group 2014 RM'000
At fair value		
Freehold land	319	319
Freehold land and buildings	550	511
Leasehold land and buildings with unexpired lease period of more than 50 years	7,616	7,616
	8,485	8,446

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

	Group 2015 RM'000	Group 2014 RM'000
Direct operating expenses:		
- income generating investment properties	6	5

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	2015 Level 3 RM'000	2015 Total RM'000	2014 Level 3 RM'000	2014 Total RM'000
Group				
Land	319	319	319	319
Buildings	8,166	8,166	8,127	8,127
	8,485	8,485	8,446	8,446

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

5. INVESTMENT PROPERTIES (CONT'D)

5.1 Fair value information (Cont'd)

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 (RM90 to RM452)	The estimated fair value would increase/ (decrease) if the price per square foot is higher/(lower).

Valuation processes applied by the Group for Level 3 fair value

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

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
At cost		
Unquoted shares	97,819	156,817
Unquoted preference shares	7,267	7,267
Less: Impairment losses	(6,857)	(6,857)
	98,229	157,227

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
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	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	Sales of solar power products and solar energy	100	100
Salcon Water (HK) Limited *	Hong Kong	Dormant	100	100
Salcon Development Sdn. Bhd.	Malaysia	Investment holding company	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Dormant	70	70
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	70
Satria Megajuta Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Labuan) Limited *	Malaysia	Dormant	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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
Subsidiaries of Salcon Engineering Berhad: (Cont'd)				
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd. ^	Malaysia	Provision of petroleum related services	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60
Glitteria Sdn. Bhd. @^	Malaysia	Dormant	50	50
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Corporation Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon (Perak) Sdn.Bhd. @^	Malaysia	Dormant	40	40
Tanjung Jutaria Sdn. Bhd. ^	Malaysia	Dormant	100	100
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
Salcon Engineering (India) Pte. Ltd. *	India	Construction, development and maintenance of water, sewage and wastewater treatment plants.	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 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

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
Subsidiaries of Salcon Water (Asia) Limited: (Cont'd)				
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 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 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	Dormant	100	100
Subsidiary of Salcon Power Sdn Bhd:				
Salcon Green Energy (UK) Ltd. *	United Kingdom	Dormant	100	100

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of entity	Country of incorporation	Principal activities	Effective ownership interest and voting interest 2015 %	2014 %
Subsidiary of Salcon Capital Sdn Bhd:				
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51	51
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	70
Subsidiary of Eco-Coach & Tours (M) Sdn Bhd:				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	51	51

\+ 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 50% of the voting power of 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

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 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
2015		
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI	16,617	18,810
Profit allocated to NCI	230	1,611
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	34,932	12,097
Current assets	31,289	52,709
Non-current liabilities	-	(498)
Current liabilities	(18,077)	(17,283)
Net assets	48,144	47,025
Year ended 31 December		
Revenue	312	67,146
Profit for the year	576	4,027
Total comprehensive income	576	4,027
Cash flows used in operating activities	(1,024)	(455)
Cash flows used in investing activities	(41,964)	(36)
Cash flows used in financing activities	-	(1,557)
Net decrease in cash and cash equivalents	(42,988)	(2,048)
Dividends paid to NCI	-	560

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

6.1 Non-controlling interest in subsidiaries (Cont'd)

	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

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost				
Unquoted shares	11,849	11,800	49	-
Unquoted preference shares	10,000	10,000	-	-
Share of post-acquisition reserves	5,417	5,874	-	-
	27,266	27,674	49	-

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of entity	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2015	2014
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%
Salcon Petroleum Services Sdn. Bhd. ("SPS")	Malaysia	Service provider and agent for representing overseas oil & gas services – companies in Malaysia.	49%	-

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

Group	EUC 2015 RM'000	2014 RM'000
Summarised financial information as at 31 December		
Non-current assets	25,811	28,738
Current assets	33,570	23,080
Current liabilities	(933)	(817)
Net assets	58,448	51,001
Year ended 31 December		
Profit from continuing operations	9,725	8,420
Other comprehensive income	7,218	2,668
Total comprehensive income	16,943	11,088
Included in the total comprehensive income is:		
Revenue	30,247	24,028

7. INVESTMENTS IN ASSOCIATES (CONT'D)

Group	EUC RM'000	Other immaterial associate RM'000	Total RM'000
2015			
Reconciliation of net assets/(liabilities) to carrying amount as at 31 December			
Group's share of net assets/(liabilities)	23,379	(180)	23,199
Carrying amount in the statement of financial position	23,379	(180)	23,199
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	3,890	(231)	3,659
Other information			
Dividends received by the Group	4,116	-	4,116
2014			
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	20,400	-	20,400
Carrying amount in the statement of financial position	20,400	-	20,400
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	3,368	-	3,368
Other information			
Dividends received by the Group	3,544	-	3,544

8. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost				
Unquoted shares	23,896	23,896	23,500	23,500
Share of post-acquisition reserves	(860)	(998)	-	-
	23,036	22,898	23,500	23,500

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT VENTURES (CONT'D)

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2015 %	2014 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	8.1	50% plus 2 shares	50% plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	8.2	36%	36%
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	8.3	36%	36%
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	8.4	50%	-
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	8.5	50%	-

8.1 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. VTSB had on 22 June 2014, allotted 400,001 bonus shares of RM1.00 each to its shareholders. As a result, the Group was entitled to 200,001 shares of RM1.00 each in VTSB of which in total, the Group has had 400,002 shares representing 50% plus 2 ordinary shares in VTSB. Pursuant to the terms and nature of the shareholders agreement, the Group's investment in VTSB constitute a joint arrangement as the entity is jointly controlled by the Group and the other shareholder.

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

8.3 On 23 December 2014, the Group entered into another joint arrangement with MMC Engineering Services Sdn. Bhd. ("MMCES") and AZSB to form Salcon MMCES AZSB JV Sdn. Bhd. ("L2").

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

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

8.5 On 23 January 2015, the Group entered into another joint arrangement with Water Engineering Technology Sdn. Bhd. to form WET Envitech Sdn. Bhd.. ("WESB").

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

8. INVESTMENTS IN JOINT VENTURES (CONT'D)

	L1 2015 RM'000	L1 2014* RM'000	L2 2015 RM'000	L2 2014* RM'000
Summarised financial information				
As at 31 December				
Current assets	276,759	39,534	181,759	24,575
Current liabilities	(276,107)	(38,564)	(169,596)	(22,743)
Cash and cash equivalents	763	2,191	894	-
Year ended 31 December				
(Loss)/Profit from continuing operations	(317)	(30)	10,328	1,732
Total comprehensive (loss)/income	(317)	(30)	10,328	1,732
Revenue	240,267	24,689	261,836	24,460
Depreciation and amortisation	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
Tax expense	(135)	-	(4,680)	-
Total comprehensive income	240,132	24,689	257,156	24,460

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

	L1 RM'000	L2 RM'000	Other immaterial joint ventures ^ RM'000	Total RM'000
2015				
Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	235	4,379	5,154	9,767
Carrying amount in the statement of financial position	235	4,379	5,154	9,767
Group's share of results for the year ended 31 December				
Group's share of (loss)/profit from continuing operations	(114)	3,718	(2,770)	834
Group's share of total comprehensive (loss)/income	(114)	3,718	(2,770)	8,34

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT VENTURES (CONT'D)

	L1 RM'000	L2 RM'000	Other immaterial joint ventures ^ RM'000	Total RM'000
2014*				
Reconciliation of net assets to carrying amount as at 31 December				
Group's share of net assets	349	659	7,729	8,737
Carrying amount in the statement of financial position	349	659	7,729	8,737
Group's share of results for the year ended 31 December				
Group's share of (loss)/income from continuing operations	(11)	623	(1,610)	(998)
Group's share of total comprehensive (loss)/income	(11)	623	(1,610)	(998)

^ The financial statements for WET Envitech Sdn. Bhd. for the year ended 31 December 2015 was not audited and was consolidated based on management financial statements.

* The financial statements for L1 and L2 for the year ended 31 December 2014 were not audited and were consolidated based on management financial statements.

9. OTHER INVESTMENTS

Group	Total RM'000	Unquoted shares RM'000	Other investment RM'000
2015			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,815)	(175)	(4,640)
	-	-	-
2014			
Non-current			
Available-for-sale financial assets	4,815	175	4,640
Less: Impairment loss	(4,815)	(175)	(4,640)
	-	-	-

9. OTHER INVESTMENTS (CONT'D)

Company	Total RM'000	Unquoted shares RM'000	Other investment RM'000
2015			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-
2014			
Non-current			
Available-for-sale financial assets	4,500	-	4,500
Less: Impairment loss	(4,500)	-	(4,500)
	-	-	-

10. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	-	-	(2,387)	(1,591)	(2,387)	(1,591)
Provisions	108	112	-	-	108	112
Other items	-	-	(3,375)	(3,418)	(3,375)	(3,418)
Tax losses carry-forward	3,516	5,769	-	-	3,516	5,769
Unabsorbed capital allowances	375	202	-	-	375	202
Tax assets/(liabilities)	3,999	6,083	(10,299)	(9,546)	(6,300)	(3,463)
Set off of tax	(301)	(219)	301	219	-	-
Net tax assets/(liabilities)	3,698	5,864	(9,998)	(9,327)	(6,300)	(3,463)

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 RM14.6 million (2014: RM23.1 million) will not be available to the Group, resulting in a decrease in deferred tax assets of RM3.5 million (2014: RM5.5 million).

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

Unrecognised deferred tax assets

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other deductible temporary differences	340	56	-	-
Unabsorbed capital allowance	450	872	-	-
Unutilised tax losses	9,640	16,993	-	-
	10,430	17,921	-	-

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 1.1.2014 RM'000	Acquisition of a subsidiary (Note 35) RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31.12.2015 RM'000
Land use rights	-	(4,537)	-	(4,537)	-	(4,537)
Property, plant and equipment	(944)	-	(647)	(1,591)	(796)	(2,387)
Provisions	29	-	83	112	(4)	108
Other items	(3,418)	-	-	(3,418)	43	(3,375)
Tax losses carry-forward	5,607	-	162	5,769	(2,253)	3,516
Unabsorbed capital allowances	190	-	12	202	173	375
	1,464	(4,537)	(390)	(3,463)	(2,837)	(6,300)

11. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade receivables	11.1	72,071	83,603	-	-
Amount due from contract customers	11.2	38,635	48,106	-	-
		110,706	131,709	-	-

11. TRADE AND OTHER RECEIVABLES (CONT'D)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-trade					
Amount due from associates	11.3	13,971	6,330	-	-
Amount due from subsidiaries	11.4	-	-	209,570	173,476
Other receivables	11.5	22,335	55,969	10,014	-
Deposits		2,270	2,885	-	29
Prepayments		9,553	9,098	6,526	6,569
		48,129	74,282	226,110	180,074
		158,835	205,991	226,110	180,074

11.1 Included in trade receivables of the Group are retention sums amounting to RM11,208,000 (2014: RM20,671,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group 2015 RM'000	Group 2014 RM'000
Within 1 year	8	2,443
1 - 2 years	7,208	2,789
2 - 3 years	836	12,664
3 - 4 years	1,012	1,124
4 - 5 years	2,144	1,651
	11,208	20,671

11.2 Amount due from contract customers

	Note	Group 2015 RM'000	Group 2014 RM'000
Aggregate costs incurred to date		522,315	692,526
Add: Attributable profit		36,496	77,099
		558,811	769,625
Less: Progress billings		(529,149)	(735,709)
		29,662	33,916
Amount due to contract customers	18	8,973	14,190
Amount due from contract customers		38,635	48,106

Included in aggregate costs incurred during the year are personnel expenses and hiring of equipment amounting to RM5,343,000 (2014: RM6,474,000) and RM374,000 (2014: RM944,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (CONT'D)

11.3 The amounts due from associates are non-trade, unsecured, interest free and repayable upon demand.

11.4 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for an amount due from a subsidiary amounting to RM129.8 million (2014: RM114.7 million) which bears interest at 2% (2014: 2%) per annum.

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

i) Compensation receivable of RM31,074,000 in 2014 from Changzhou City District Office following the termination of the water concession agreement in 2012. The amount was collected during the financial year.

ii) Allowance for impairment losses made against doubtful receivables was RM449,000 (2014: RM449,000).

12. INVENTORIES

		Group	
	Note	2015 RM'000	2014 RM'000
At cost:			
Spares		305	824
Properties under development	12.1	162,836	145,237
		163,141	146,061

12.1 Properties under development comprises:

		Group	
	Note	2015 RM'000	2014 RM'000
Land held for property development		120,913	120,913
Development costs		41,923	24,324
		162,836	145,237

Included in development costs was interest expense capitalised amounting to RM4,231,000 (2014: RM2,715,000). The land held for property development with carrying amount of RM18,758,000 (Note 16) is 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. 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 2016. At 31 December 2015, the assets and liabilities of the disposal group are as follows:

		Group	
	Note	2015 RM'000	2014 RM'000
Assets classified as held for sale			
Property, plant and equipment	a	1,637	1,709
Intangible assets	b	139,077	105,792
Trade and other receivables	c	17,782	11,882
Inventories	d	6,573	2,368
Cash and cash equivalents		32,546	20,291
		197,615	142,042
Liabilities classified as held for sale			
Trade and other payables		113,243	63,481
Defined benefits liabilities	e	5,838	4,692
Loans and borrowings		17,977	17,176
Current tax liabilities		2,432	-
		139,490	85,349

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

	Group	
	2015 RM'000	2014 RM'000
Cost	3,503	3,077
Accumulated depreciation	(1,866)	(1,368)
	1,637	1,709

During the year, the Group acquired property, plant and equipment with aggregate cost of RM85,000 (2014: RM368,000) and the depreciation charge was RM427,000 (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS

13. DISPOSAL GROUP HELD FOR SALE (CONT'D)

b. Intangible assets held for sale comprise the following:

	Group 2015 RM'000	Group 2014 RM'000
Cost	178,198	135,547
Accumulated depreciation	(39,121)	(29,755)
	139,077	105,792

Intangible assets held for sale represent concession rights and concession intangible assets.

During the year, the Group acquired intangible assets with aggregate cost of RM20,513,000 (2014: RM18,563,000) and the amortisation was RM4,990,000 (2014: 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.

c. Receivables are carried at cost less impairment loss.

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

e. 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.

Principal actuarial assumptions used at the end of the reporting period (expressed as weighted average) are set out as below.

	Group 2015	Group 2014
Discount rate	5.2%	5.8%
Weighted average duration of compensation obligation	4 years	6 years

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits placed with licensed banks				
- Malaysia	118,724	74,532	113,635	74,299
- Outside Malaysia	43,940	116,811	-	-
	162,664	191,343	113,635	74,299
Cash and bank balances				
- Malaysia	113,707	101,077	76,922	75,841
- Outside Malaysia	1,484	2,033	-	-
	115,191	103,110	76,922	75,841
	277,855	294,453	190,557	150,140

15. CAPITAL AND RESERVES

Share capital

	Group and Company			
	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '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	337,320	674,640	304,152	608,304
Issued for cash under Employees Share Option Scheme	1,527	3,054	8,563	17,126
Issued for cash under conversion of Warrants 2007/2014	-	-	24,605	49,210
At 31 December	338,847	677,694	337,320	674,640

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.

15. CAPITAL AND RESERVES (CONT'D)

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 6,335,700 (2014: 6,665,000) ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.68 (2014: 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 RM4.32 million (2014: 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.

During the current financial period to date, the Company disposed 8,000,000 (2014: nil) of its issued ordinary shares held as treasury shares for a total consideration of RM5.96 million in the open market at an average price of RM0.74 per share. As at 31 December 2015, the number of treasury shares held after deducting the disposal was 5,000,700 shares.

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. 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.

16. LOANS AND BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Finance lease liabilities	1,336	3,780	701	-
Term loans (unsecured)	865	11,171	-	-
Term loans (secured)	66,111	70,000	-	-
	68,312	84,951	701	-
Current				
Bank overdrafts (unsecured)	205	1,060	-	291
Term loans (unsecured)	107	2,010	-	-
Term loans (secured)	5,783	6,000	-	-
Finance lease liabilities	3,598	4,524	187	-
	9,693	13,594	187	291
	78,005	98,545	888	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 land owned by a Group entity with carrying amount of RM18,758,000 (Note 12.1).

b) 1st party 2nd legal charge over the land owned by a Group entity with carrying amount of RM108,615,000 (Note 12.1).

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

16. LOANS AND BORROWINGS (CONT'D)

16.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 2015	Interest RM'000 2015	Present value of minimum lease payments RM'000 2015	Future minimum lease payments RM'000 2014	Interest RM'000 2014	Present value of minimum lease payments RM'000 2014
Group						
Less than one year	3,759	(161)	3,598	4,912	(388)	4,524
Between one and five years	1,420	(84)	1,336	3,903	(123)	3,780
	5,179	(245)	4,934	8,815	(511)	8,304
Company						
Less than one year	225	(38)	187	-	-	-
Between one and five years	757	(56)	701	-	-	-
	982	(94)	888	-	-	-

16.3 Repayment term

The repayment term of the term loans are as follows:

	Under 1 year RM'000 2015	1 to 5 years RM'000 2015	More than 5 years RM'000 2015	Under 1 year RM'000 2014	1 to 5 years RM'000 2014	More than 5 years RM'000 2014
Group						
Term loan (secured)	5,783	66,111	-	6,000	70,000	-
Term loan (unsecured)	107	456	409	2,010	10,576	595
	5,890	66,567	409	8,010	80,576	595

17. EMPLOYEE BENEFITS

Share option plan

The Group offers Employees Share Option Scheme ("ESOS") to its employees as a form of reward.

17. EMPLOYEE BENEFITS (CONT'D)

Share option plan (Cont'd)

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 Directors and eligible employees on 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
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 2012	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		

NOTES TO THE FINANCIAL STATEMENTS

17. EMPLOYEE BENEFITS (CONT'D)

Share option plan (Cont'd)

Movements in the number of share options held by employees are as follows:

	Weighted average exercise price 2015 RM	Number of options 2015 '000	Weighted average exercise price 2014 RM	Number of options 2014 '000
Outstanding at 1 January	0.53	3,078	0.55	21,085
Lapsed during the year	0.57	(24)	0.55	(881)
Exercised during the year	0.54	(3,054)	0.52	(17,126)
Outstanding at 31 December	-	-	0.53	3,078

The options outstanding at 31 December 2014 have exercise price ranged between RM0.50 to RM0.57 and a weighted average contractual life of 2 years. There is no options outstanding at 31 December 2015.

During the year, 3,054,300 share options were exercised. The weighted average share price at the date of exercise for the year was RM0.54.

Value of employee services received for issue of share options

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Expenses recognised as share-based payments	81	162	81	162

18. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade payables		38,696	30,567	-	-
Accrued expenses		21,416	16,939	-	-
Amount due to contract customers	11.2	8,973	14,190	-	-
		69,085	61,696	-	-

18. TRADE AND OTHER PAYABLES (CONT'D)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-trade					
Amount due to an associate	18.1	2	-	-	-
Amounts due to subsidiaries	18.2	-	-	14,343	11,611
Amount due to a joint venture	18.3	1,500	7,500	1,500	-
Other payables	18.4	45,325	41,735	6,390	14,275
Accrued expenses		2,150	2,567	358	186
		48,977	51,802	22,591	26,072
		118,062	113,498	22,591	26,072

18.1 The amount due to an associate is 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 a joint venture is unsecured, interest free and repayable on demand.

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

i) RM9.5 million (2014: RM4.9 million) being amount due to Non-Controlling Interest of a subsidiary for business operation funding. The amount is unsecured, bearing interest of 8.35% (2014: 8.1%) per annum and repayable upon demand.

ii) RM9.1 million (2014: RM6.9 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 (2014: RM560,000) being dividend payable by a subsidiary to Non-controlling Interest.

19. REVENUE

Group	Continuing operations 2015 RM'000	Continuing operations 2014 RM'000	Discontinued operation (see Note 23) 2015 RM'000	Discontinued operation (see Note 23) 2014 RM'000	Total 2015 RM'000	Total 2014 RM'000
Sales	14,404	1,916	-	-	14,404	1,916
Services	15,265	15,404	-	-	15,265	15,404
Construction	93,410	177,145	-	-	93,410	177,145
Operating concession revenue	-	-	82,691	69,404	82,691	69,404
	123,079	194,465	82,691	69,404	205,770	263,869
Company						
Dividends	933	66,584	-	-	933	66,584

NOTES TO THE FINANCIAL STATEMENTS

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors:				
- Fees	270	142	270	142
- Remuneration	6,161	5,124	2,053	1,540
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	220	165	72	34
- Share-based payments	62	153	-	153
	6,713	5,584	2,395	1,869

21. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance costs on:				
- Bank overdraft	27	16	-	-
- Loans	5,132	1,251	-	-
- Other borrowings	417	661	29	-
	5,576	1,928	29	-

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax expense on continuing operations	9,369	3,742	806	472
Income tax expense on discontinued operation	2,006	271	-	-
Share of tax of equity-accounted associates/joint ventures	2,317	466	-	-
Total income tax expense	13,692	4,479	806	472

22. TAX EXPENSE (CONT'D)

Recognised in profit or loss (Cont'd)

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Major components of income tax expense include:				
Current tax expense				
Malaysian - current year	3,252	4,085	870	1,209
- prior year	3,022	(733)	(64)	(737)
Overseas - current year	2,264	271	-	-
Total current tax recognised in profit or loss	8,538	3,623	806	472
Deferred tax expense				
Origination and reversal of temporary differences	2,498	584	-	-
Under/(Over) provision in prior year	339	(194)	-	-
Total deferred tax recognised in profit or loss	2,837	390	-	-
Share of tax of equity-accounted associates/joint ventures	2,317	466	-	-
Total tax expense	13,692	4,479	806	472
Reconciliation of tax expense				
(Loss)/Profit for the year	(7,620)	36,907	47,913	67,628
Total tax expense	13,692	4,479	806	472
Profit excluding tax	6,072	41,386	48,719	68,100
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)	1,518	10,346	12,180	17,025
Effect of tax rates in foreign jurisdictions	(1,691)	(2,244)	-	-
Non-deductible expenses	20,302	5,847	1,674	830
Tax exempt income	(7,925)	(17,249)	(12,984)	(16,646)
Effect of deferred tax assets not recognised	-	8,706	-	-
Effect of deferred tax assets previously not recognised	(1,873)	-	-	-
	10,331	5,406	870	1,209
Under/(Over) provision in prior years	3,361	(927)	(64)	(737)
	13,692	4,479	806	472

23. DISCONTINUED OPERATION

The disposal of its China operations, SPA-B which 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, had been completed in 2014 apart from Salcon Linyi (HK) Limited.

NOTES TO THE FINANCIAL STATEMENTS

23. DISCONTINUED OPERATION (CONT'D)

Profit attributable to the discontinued operation was as follows:

	Note	Group 2015 RM'000	Group 2014 RM'000
Revenue	19	82,691	69,404
Expenses		(100,781)	(103,407)
Results from operating activities, net of tax		(18,090)	(34,003)
Gain on sale of discontinued operations		-	68,996
(Loss)/Profit for the year		(18,090)	34,993
Included in results from operating activities are:			
Depreciation of property, plant and equipment		427	63
Amortisation of intangible assets		4,990	4,072
Finance income		74	63
Finance cost		101	243
Cash flows from discontinued operation			
Net cash (used in)/from operating activities		(7,344)	5,028
Net cash from investing activities		20,401	18,837
Net cash used in financing activities		(801)	(331)
Effect on cash flows		12,256	23,534

Effect of disposal on the financial position of the Group

	2015 RM'000	2014 RM'000
Property, plant and equipment	-	1,047
Intangible assets	-	75,815
Trade and other receivables	-	435,105
Inventories	-	892
Cash and cash equivalents	-	16,043
Trade and other payables	-	(46,099)
Current tax liabilities	-	(1,747)
Borrowings	-	(172,580)
Exchange equalisation	-	(18,214)
Non-controlling interest	-	(105,900)
Net assets and liabilities	-	184,362
Gain on sale of discontinued operations	-	68,996
Consideration received, satisfied in cash	-	253,358
Cash and cash equivalent disposed of	-	(16,043)
Net cash inflow	-	237,315

24. (LOSS)/PROFIT FOR THE YEAR

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/Profit for the year is arrived at after charging:				
Allowance for impairment losses				
- Property, plant and equipment	3,157	-	-	-
- Trade receivables	1,266	1,382	-	-
- Other receivables	-	109	-	-
Amortisation of concession intangible assets	4,990	4,072	-	-
Auditors' remuneration:				
- Audit fees				
- Current year				
KPMG Malaysia	372	335	150	90
Overseas affiliates of KPMG Malaysia	129	216	-	-
Other auditors	55	133	-	-
- Underprovision in prior year				
KPMG Malaysia	188	109	188	106
- Non-audit fees				
- KPMG Malaysia	48	48	40	40
Depreciation of property, plant and equipment	7,083	6,624	161	-
Loss on disposal of property, plant and equipment	22	20	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	2,030	2,115	388	378
- Share-based payments	81	162	81	162
- Wages, salaries and others	42,982	48,116	3,464	4,403
Property, plant and equipment written off	8,355	4,782	-	-
Realised loss on foreign exchange	264	1,199	-	1,094
Rental expense in respect of:				
- Equipment	131	121	-	-
- Premises	1,884	1,342	-	-
Unrealised loss on foreign exchange	1,205	939	3,944	1,342
and after crediting:				
Allowance for impairment losses no longer required:				
- Trade receivables	56	690	-	-
Change in fair value of investment properties	39	-	-	-
Dividend income from subsidiaries (unquoted)	-	-	933	66,584
Gain on disposal of equity interest in subsidiaries	-	68,996	-	-
Gain on disposal of property, plant and equipment	20	50	-	-
Finance income:				
- Subsidiaries	-	-	3,842	2,597
- Others	5,099	8,463	3,146	2,267
Realised gain on foreign exchange	144	7,870	10,655	62
Rental income on premises	204	237	-	-
Unrealised gain on foreign exchange	31,535	1,787	40,350	9,613

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER COMPREHENSIVE EXPENSE

2015	Before tax RM'000	Tax RM'000	Net of tax RM'000
Group			
Foreign currency translation differences for foreign operations			
- Losses arising during the year	(11,368)	-	(11,368)
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)

26. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2015 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
2015			
Profit/(Loss) attributable to ordinary shareholders	12,062	(6,522)	5,540
2014			
(Loss)/Profit attributable to ordinary shareholders	(21,361)	25,969	4,608

	Group 2015 '000	Group 2014 '000
Weighted average number of ordinary shares at 31 December	676,475	648,496

	2015 Sen	2014 Sen
From continuing operations	1.78	(3.29)
From discontinued operation	(0.96)	4.00
Basic earnings per ordinary share	0.82	0.71

26. EARNINGS/(LOSS) PER ORDINARY SHARE (CONT'D)

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 December 2015 was based on profit/(loss) 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:

Profit/(Loss) attributable to ordinary shareholders (diluted)

Group	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
2015			
Profit/(Loss) attributable to ordinary shareholders (diluted)	12,062	(6,522)	5,540
2014			
(Loss)/Profit attributable to ordinary shareholders (diluted)	(21,361)	25,969	4,608

	Group	
	2015 '000	2014 '000
Weighted average number of ordinary shares at 31 December (basic)	676,475	648,496
Effect of share option on issue	-	487
Weighted average number of ordinary shares at 31 December (diluted)	676,475	648,983

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	
	2015 Sen	2014 Sen
From continuing operations	1.78	(3.29)
From discontinued operation	(0.96)	4.00
Diluted earnings per ordinary share	0.82	0.71

NOTES TO THE FINANCIAL STATEMENTS

27. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2015			
First and special final 2014 ordinary (single tier)	3.0	20,325	16 July 2015
2014			
First and special final 2013 ordinary (single tier)	3.0	20,230	8 August 2014

After the end of the reporting period, the following first and final dividend 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
First and final 2015 ordinary (single tier)	2.0

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 Chief Operating Decision Maker ("CODM") (i.e. the Group's Chief Operating Officer) reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

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

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

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

28. OPERATING SEGMENTS (CONT'D)

Segment assets

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

Segment liabilities

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

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and intangible assets other than goodwill.

28. OPERATING SEGMENTS (CONT'D)

Group 2015	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operation) RM'000	Total RM'000
Segment (loss)/ profit	(3,700)	5,349	4,163	(3,190)	2,622	(10,640)	(8,018)
Included in the measure of segment (loss)/profit are:							
Revenue from external customers	93,411	1,447	28,221	-	123,079	82,691	205,770
Impairment of property, plant and equipment	-	-	(3,157)	-	(3,157)	-	(3,157)
Share of profit of associate	-	3,889	(230)	-	3,659	-	3,659
Share of profit of joint ventures	3,102	-	(2,268)	-	834	-	834
Not included in the measure of segment (loss)/profit but provided to CODM:							
Depreciation and amortisation	(1,131)	-	(5,378)	(147)	(6,656)	(5,417)	(12,073)
Finance costs	(91)	-	(933)	(4,552)	(5,576)	(101)	(5,677)
Finance income	3,595	5	1,416	9	5,025	74	5,099
Tax expense	(7,856)	(1)	(694)	(818)	(9,369)	(2,006)	(11,375)
Segment assets	407,284	27,570	166,414	151,860	753,128	197,615	950,743
Included in the measure of segment assets are:							
Investment in associates	-	27,446	(180)	-	27,266	-	27,266
Investment in joint ventures	3,415	-	19,621	-	23,036	-	23,036
Additions to non-current assets other than financial instruments and deferred tax assets	1,610	-	2,271	-	3,881	20,598	24,479

28. OPERATING SEGMENTS (CONT'D)

Group 2014	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Concession (Discontinued Operation) RM'000	Total RM'000
Segment profit/(loss)	10,599	4,548	(4,764)	(1,273)	9,110	39,579	48,689
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	177,145	1,203	16,117	-	194,465	69,404	263,869
Share of profit of an associate	-	3,368	-	-	3,368	-	3,368
Share of profit of joint ventures	612	-	(1,610)	-	(998)	-	(998)
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(1,074)	-	(5,347)	(140)	(6,561)	(4,135)	(10,696)
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
Tax expense	(2,525)	-	(686)	(531)	(3,742)	(271)	(4,013)
Segment assets	376,788	28,354	270,501	132,702	808,345	142,042	950,387
Included in the measure of segment assets are:							
Investment in an associate	-	27,674	-	-	27,674	-	27,674
Investment in joint ventures	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	18,931	20,759

NOTES TO THE FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

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

	Group	
	2015 RM'000	2014 RM'000
Profit		
Total profit or loss for reportable segments	2,622	9,110
Depreciation and amortisation	(6,656)	(6,561)
Finance costs	(5,576)	(1,928)
Finance income	5,025	8,400
Unrealised and realised foreign exchange gain	30,210	7,519
Unallocated expenses:		
Corporate expenses	(5,786)	(10,884)
Consolidated profit before tax from continuing operations	19,839	5,656
(Loss)/Profit from discontinued operation, net of tax	(18,090)	34,993
Consolidated profit before tax	1,749	40,649

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 investments in associates and joint ventures) and deferred tax assets.

	Geographical information			
Group	Revenue 2015 RM'000	Non current assets 2015 RM'000	Revenue 2014 RM'000	Non current assets 2014 RM'000
Malaysia	81,387	45,944	134,864	55,189
China	-	-	-	-
Sri Lanka	11,877	-	22,567	-
Vietnam	13,927	-	28,388	-
Other countries	15,888	52,319	8,646	48,904
	123,079	98,263	194,465	104,093
Assets classified as held for sale	82,691	140,714	69,404	107,501
	205,770	238,977	263,869	211,594

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"):
- Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/ (FL) RM'000	AFS RM'000	FVTPL -HFT RM'000
2015				
Financial assets				
Group				
Trade and other receivables	149,282	149,282	-	-
Cash and cash equivalents	277,855	277,855	-	-
	427,137	427,137	-	-
Company				
Trade and other receivables	219,584	219,584	-	-
Cash and cash equivalents	190,557	190,557	-	-
	410,141	410,141	-	-
Financial liabilities				
Group				
Loans and borrowings	(78,005)	(78,005)	-	-
Trade and other payables	(118,062)	(118,062)	-	-
	(196,067)	(196,067)	-	-
Company				
Loans and borrowings	(888)	(888)	-	-
Trade and other payables	(22,591)	(22,591)	-	-
	(23,479)	(23,479)	-	-

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	L&R/ (FL) 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)	-	-

29.2 Net losses and gains arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) on:				
Loans and receivables	34,025	15,181	54,049	12,075
Financial liabilities measured at amortised cost	(5,576)	(1,928)	(29)	-
	28,449	13,253	54,020	12,075

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market 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 advances to subsidiaries and financial guarantees given to banks for credit 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. 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 statements of financial position.

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

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

	Group	
	2015 RM'000	2014 RM'000
Domestic	95,201	111,184
Sri Lanka	4,229	16,753
Vietnam	3,907	8,905
China	9,025	43,567
India	11,296	10,256
United Kingdom	18,643	3,876
Others	6,981	2,352
	149,282	196,893

At date of statements of financial position, there were no significant concentrations of credit risk.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Credit risk (Cont'd)

Receivables (cont'd)

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2015			
Not past due	100,150	-	100,150
Past due 1 - 30 days	587	-	587
Past due 31 - 120 days	96	-	96
Past due more than 120 days	27,992	(18,119)	9,873
	128,825	(18,119)	110,706
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

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 financial year were:

	Group 2015 RM'000	2014 RM'000
At 1 January	(16,909)	(16,217)
Impairment loss recognised	(1,266)	(1,382)
Impairment loss reversed	56	690
At 31 December	(18,119)	(16,909)

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 (CONT'D)

29.4 Credit risk (Cont'd)

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 statements 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 RM9,522,000 (2014: RM14,241,000) representing the outstanding 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 their financial obligations as and when they fall due. The Group's and the Company's exposure to liquidity risk arise principally from their various payables, loans and borrowings.

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

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Liquidity risk (Cont'd)

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:

2015	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans (unsecured)	972	5.85%	1,209	163	150	301	595
Term loans (secured)	71,894	6.28-8.97%	79,752	6,826	28,367	44,559	-
Bank overdraft (unsecured)	205	7.60-8.35%	205	205	-	-	-
Finance lease liabilities	4,934	4.66-6.45%	5,179	3,762	794	623	-
Trade and other payables	118,062	-	118,062	118,062	-	-	-
	196,067		204,407	129,018	29,311	45,483	595
Company							
Non-derivative financial liabilities							
Finance lease liabilities	888	4.66%	983	225	225	533	-
Trade and other payables	22,591	-	22,591	22,591	-	-	-
	23,479		23,574	22,816	225	533	-

29. FINANCIAL INSTRUMENTS (CONT'D)

29.5 Liquidity risk (Cont'd)

Maturity analysis (cont'd)

2014	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans (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)	1,060	7.60-9.10%	1,060	1,060	-	-	-
Finance lease liabilities	8,304	6.14-6.45%	8,815	4,913	3,646	256	-
Trade and other payables	113,498	-	113,498	113,498	-	-	-
	212,043		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	-	-	-

29. FINANCIAL INSTRUMENTS (CONT'D)

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.

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

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"), Sri Lanka Rupee ("LKR") and Great Britain Pound ("GBP").

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

			Denominated in			
	EUR	USD	JPY	VND	LKR	GBP
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group						
Trade receivables	-	-	-	555	212	18,532
Cash and cash equivalents	-	75,645	-	1,158	19,496	937
Trade and other payables	-	(102)	-	(245)	(1,637)	30
Amount due from contract customers	-	-	-	2,955	767	-
Net exposure	-	75,543	-	4,423	18,838	19,499
2014						
Trade receivables	-	2,054	560	3,450	5,479	-
Cash and cash equivalents	123	64,891	3,951	1,114	4,564	110
Trade and other payables	-	-	(606)	(5,700)	(13,549)	(496)
Amount due from contract customers	-	-	1,577	3,241	3,494	-
Net exposure	123	66,945	5,482	2,105	(12)	(386)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

29.6.1 Currency risk (cont'd)

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, remained constant.

	Equity		**Profit or loss**	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
EUR	-	9	-	9
USD	5,666	5,021	5,666	5,021
JPY	-	411	-	411
VND	485	(20)	332	158
LKR	4,494	3,014	1,413	(1)
GBP	2,133	(570)	1,462	(29)
	12,778	7,865	8,873	5,569

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

Risk management objectives, policies and processes for managing the risk

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

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

29.6 Market risk (Cont'd)

29.6.2 Interest rate risk (cont'd)

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Financial assets	162,664	191,343	113,635	74,299
Financial liabilities	4,934	8,304	888	-
Floating rate instruments				
Financial liabilities	73,071	90,241	-	291

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Group Profit or loss		Company Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2015				
Floating rate instruments	(548)	548	-	-
2014				
Floating rate instruments	(677)	677	(2)	2

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Fair value information

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

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.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Fair value information (Cont'd)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
2015	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Group										
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(71,894)	(71,894)	(71,894)	(71,894)
Term loans (unsecured)	-	-	-	-	-	-	(972)	(972)	(972)	(972)
Finance lease liabilities	-	-	-	-	-	-	(4,596)	(4,596)	(4,596)	(4,934)
	-	-	-	-	-	-	(77,462)	(77,462)	(77,462)	(77,800)
Company										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(784)	(784)	(784)	(888)
2014										
Group										
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)	(8,304)
	-	-	-	-	-	-	(97,252)	(97,252)	(97,252)	(97,485)

29. FINANCIAL INSTRUMENTS (CONT'D)

29.7 Fair value of information (Cont'd)

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:

	2015	2014
Group		
Finance lease liabilities	6.14%	6.14%
Company		
Finance lease liabilities	4.66%	-

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 are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants.

The debt-to-equity ratios at 31 December 2015 and at 31 December 2014 were as follows:

Group

	2015 RM'000	2014 RM'000
Total loans and borrowings (Note 16)	78,005	98,545
Less: Cash and cash equivalents (Note 14)	(277,855)	(294,453)
Net debt	(199,850)	(195,908)
Total equity	603,961	641,966
Debt-to-equity ratio	-	-

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

30. CAPITAL MANAGEMENT (CONT'D)

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

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

31. CONTINGENCIES

The unrecognised contingencies of the Group and the Company at the end of the reporting period are summarised at below:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Bank guarantees given to financial institutions in respect of facilities granted to subsidiaries	-	-	434,258	462,155
Bank guarantee given to third parties relating to performance, tender and advance payment bonds				
- unsecured	153,452	104,584	-	-
Guarantees given in favour of main contractors of the subsidiaries				
- unsecured	10,918	10,918	10,918	10,918

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 Company and the party are subject to common control. Related parties may be individuals or other entities.

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

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

32. RELATED PARTIES (CONT'D)

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 11 and 18.

	Transaction value year ended 31 December	
	2015 RM'000	**2014 RM'000**
Group		
Affiliated company of a subsidiary		
- management fee expense	-	1,453
Entity in which a Director of a subsidiary has interest		
- provision of drivers management services	2,356	4,146
Company		
Subsidiaries		
- interest income	(3,842)	(2,597)
- management fee expense	-	327

33. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Less than one year	823	1,230
Between one and five years	86	972
	909	2,202

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

NOTES TO THE FINANCIAL STATEMENTS

34. CAPITAL AND OTHER COMMITMENTS

	Group 2015 RM'000	Group 2014 RM'000
Capital expenditure commitments		
Contracted but not provided for	1,147	980

35. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS

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.

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	10	(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

35. ACQUISITION OF SUBSIDIARY AND NON-CONTROLLING INTERESTS (CONT'D)

Acquisition of subsidiary – Prestasi Kemas Sdn. Bhd. (Cont'd)

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 2014 consolidated statement of profit or loss and other comprehensive income.

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 1.1.2015	Granted	Exercised	At 31.12.2015
Ooi Cheng Swee @ Wee Kwee Swee	775,000	-	775,000	-

37. SIGNIFICANT EVENTS

Significant events during the year are as follows:

i) WET Envitech Sdn. Bhd.

On 23 January 2015, Envitech Sdn. Bhd, a subsidiary, together with Water Engineering Technology Sdn. Bhd. have incorporated WET Envitech Sdn. Bhd. to undertake a project that was awarded by Salcon Loh & Loh JV Sdn. Bhd.

ii) Salcon Petroleum Services Sdn. Bhd.

On 18 March 2015, the Group has incorporated Salcon Petroleum Services Sdn. Bhd. ("SPSSB"). SPSSB has, on 10 August 2015, increased its issued and paid-up share capital from RM2 to RM100,000 by way of allotment of an additional 99,998 ordinary shares of RM1.00 each to Salcon and Kunci Sempurna Sdn. Bhd. ("the Allotment of Shares") for cash consideration. Following the Allotment of Shares, the Group's equity interest in SPSSB was reduced from 100% to 49% and SPSSB ceased as a subsidiary of the Group, and became an associate.

iii) Salcon Petroleum Services (Labuan) Limited

On 18 December 2015, the Group has incorporated Salcon Petroleum Services (Labuan) Limited ("SPSLL").

37. SIGNIFICANT EVENTS (CONT'D)

iv) Material litigation

In 2014, Linyi Raw Water Co Ltd. ("Linyi RW") filed a legal claim against Linyi Salcon Water Co Ltd. ("Salcon Linyi") on the rental of raw water pipelines from 1 January 2006 to 30 November 2013, amounting to RMB26.7 million.

In October 2015, final judgement has been issued from Shandong Provincial Higher People's Court which require Salcon Linyi to pay RM1326.7 million to Linyi RW. The Group has fully provided for the amounts claimed in 2014.

38. 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 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	56,429	132,828	58,742	58,184
- unrealised	38,803	11,387	36,406	8,271
	95,232	144,215	95,148	66,455
Total share of retained earnings of associates				
- realised	9,534	5,874	-	-
Total share of (accumulated losses)/retained earnings of joint ventures				
- realised	(163)	498	-	-
	104,603	150,587	95,148	66,455
Less: Consolidation adjustments	(61,995)	(94,299)	-	-
Total retained earnings	42,608	56,288	95,148	66,455

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 172 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 2015 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 38 on page 173 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: 4 April 2016

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 173 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 4 April 2016.

Law Woo Hock

Before me:

Kalasagar Nair
(W513)
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 2015 of the Group and of the Company, and the statements of profit and loss and other 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 172.

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 2015 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 the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SALCON BERHAD

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.

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 38 on page 173 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: 4 April 2016

PARTICULARS OF GROUP PROPERTIES

The properties of the Group as at 31 December 2015 and their net book values ("NBV") are indicated below:

FREEHOLD BUILDINGS AND LAND

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	HS(D) 102104, PT No. 15914, Pekan Damansara, Daerah Petaling/No. 64, Jalan Penyair U1/44, Temasya Industrial Park, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	149 sq. metres of intermediate unit 1½ storey terraced factory	19 years	14/03/2002	240
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	36 years	15/03/2002	789
Envitech Sdn Bhd	No.79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang. Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	11 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	11 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	10 years	23/01/2013	814
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim. Kedah	1½ storey semi-detached factory	10 years	23/01/2013	815
					4,923

PARTICULARS OF GROUP PROPERTIES

INVESTMENT PROPERTIES

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Property held under GRN 227594 Lot 5109 (formerly held under HS(D) 62070 PT 2074) Mukim Beranang, District of Ulu Langat, State of Selangor (BM9/2C)	12,000 sq ft of bungalow plot	13 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	7 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	7 years	24/07/2009	494
Envitech Sdn Bhd	Unit No. 2, Corner Ground Floor, Block E Shop & Office At Pulau Melaka	3,358 sq. ft. of corner ground shop & office	6 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	6 years	1/11/2011	353
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG13	920 sq. ft. of intermediate shop	6 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	6 years	10/11/2011	284

PARTICULARS OF GROUP PROPERTIES

INVESTMENT PROPERTIES (CONT'D)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	6 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	6 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	6 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	6 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	6 years	10/11/2011	306
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	6 years	10/11/2011	406
Envitech Sdn Bhd	Unit No. Parcel 12A, 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	4 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	4 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	4 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	4 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 6, 154 Ground Floor, Block E Shop & Office At Pulau Melaka	1,300 sq. ft. of intermediate shop	4 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	4 years	22/11/2012	338

INVESTMENT PROPERTIES (CONT'D)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
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	4 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	4 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	4 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	4 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	4 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	8 years	31/12/2015	550
					8,485

PARTICULARS OF GROUP PROPERTIES

LAND HELD FOR PROPERTY DEVELOPMENT

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Azitin Venture Sdn Bhd	HS(D) 78442, PT No. 11140, Bandar Selayang, Daerah Gombak. Selangor Darul Ehsan	3,988 sq. metres	99 years leasehold expiring on 13/11/2112	28/03/2012	39,708
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
					148,540

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2016

ANALYSIS OF SHAREHOLDINGS

Authorised share capital		:	RM500,000,000
Issued and paid-up share capital		:	RM338,847,226.00 (including 12,680,600 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

* Inclusive of 200,000 shares bought back by the Company on 30 March 2016 and held as treasury shares.

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	# Percentage of Issued Capital (%)
Less than 100	1,361	68,853	0.010
100 – 1,000	820	471,677	0.070
1,001 – 10,000	4,033	24,967,193	3.753
10,001 – 100,000	2,915	98,195,778	14.761
100,001 – less than 5% of issued shares	490	396,069,317	59.540
5% and above of issued shares	3	145,441,034	21.863
Total	9,622	665,213,852	100.00

\# Computation of percentage shareholding excludes 12,480,600 treasury shares as per the Register of Depositors as at 30 March 2016.

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	10.031	-	-
Tan Sri Dato' Tee Tiam Lee	38,606,400	5.805	40,125,034 (1)	6.034
Dato' Seri (Dr.) Goh Eng Toon	2,300,000	0.346	66,709,600 (2)	10.031
Datin Goh Phaik Lynn	-	-	66,709,600 (2)(i)	10.031
			300,000 (3)	0.045
			3,600,000 (4)	0.541
Dato' Leong Kok Wah	3,600,000	0.541	300,000 (3)	0.045
			66,709,600 (5)	10.031
Tee Xun Hao	156,000	0.023	40,125,034 (1)	6.034
Infra Tropika Sdn Bhd	40,125,034	6.034	-	-

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 the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2016

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	# Percentage of Issued Capital (%)
1	NAGA MUHIBAH SDN BHD	66,709,600	10.028
2	INFRA TROPIKA SDN BHD	40,125,034	6.031
3	TAN SRI DATO' TEE TIAM LEE	38,606,400	5.803
4	LEE THIAM LAI	28,035,000	4.214
5	KONG HON KONG	27,012,634	4.060
6	WONG SWEE YEE	25,634,390	3.853
7	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR LEGG MASON WESTERN ASSET SOUTHEAST ASIA SPECIAL SITUATIONS TRUST (201061)	18,853,800	2.834
8	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR LEGG MASON WESTERN ASSET ASIAN ENTERPRISE TRUST	14,299,800	2.149
9	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	11,785,300	1.771
10	TENG LI LING	8,595,400	1.292
11	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR MANULIFE INVESTMENT SHARIAH PROGRESSFUND	7,736,000	1.162
12	PEMBINAAN PUNCA CERGAS SDN. BHD.	7,450,000	1.119
13	HSBC NOMINEES (ASING) SDN BHD COUTTS & CO LTD SG FOR BEADLE GROUP LIMITED	7,120,200	1.070
14	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	7,000,000	1.052
15	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BNP PARIBAS SECURITIES SERVICES (SINGAPORE - SGD)	6,919,700	1.040
16	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	5,671,100	0.852
17	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	5,020,000	0.754

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2016

List of 30 Largest Shareholders (Cont'd)

No.	Name of Shareholders	No. of Shares	# Percentage of Issued Capital (%)
18	CHOO KENG WENG	5,000,000	0.751
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (PACIFIC6939-407)	4,478,700	0.673
20	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC DIVIDEND FUND (UT-PM-DIV)	4,249,800	0.638
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN HWNG SM CF)	4,176,200	0.627
22	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	3,983,000	0.598
23	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,892,200	0.585
24	HSBC NOMINEES (ASING) SDN BHD KBC SECS NV FOR KBC ECO FUND	3,861,000	0.580
25	DATO' LEONG KOK WAH	3,600,000	0.541
26	DB (MALAYSIA) NOMINEE (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED	3,430,000	0.515
27	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	3,213,100	0.483
28	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	2,811,000	0.422
29	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	2,690,000	0.404
30	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD PACIFIC PREMIER FUND	2,653,700	0.398
		374,613,058	56,299

Computation of percentage shareholding excludes 12,480,600 treasury shares as per the Register of Depositors as at 30 March 2016.

ANALYSIS OF SHAREHOLDINGS AS AT 30 MARCH 2016

Directors' Shareholdings

	Direct Interest		Indirect Interest	
Name of Directors	No. of shares	Percentage of issued capital (%)	No. of shares	Percentage of issued capital (%)
Dato' Seri (Dr.) Goh Eng Toon	2,300,000	0.346	66,709,600 [1]	10.031
Dato' Dr. Freezailah Bin Che Yeom	1,750,400	0.263	-	-
Tan Sri Dato' Tee Tiam Lee	38,606,400	5.805	40,281,034 [2]	6.057
Dato' Leong Kok Wah	3,600,000	0.541	300,000 [3]	0.045
			66,709,600 [4]	10.031
Dato' Choong Moh Kheng	2,800,000	0.421	7,450,000 [5]	1.120
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) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 6A of the Companies Act, 1965

(ii) Deemed interested pursuant to Section 134(12)(c) of the Companies Act, 1965 through shares held by child (Tee Xun Hao).

(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 THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of Salcon Berhad ("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, 26 May 2016 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and Auditors thereon. **[Please see Note 2]**

2. To approve the payment of the first and final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2015. **[Resolution 1]**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2015. **[Resolution 2]**

4. To re-elect Dato' Leong Kok Wah who retires pursuant to Article 96 of the Company's Articles of Association. **[Resolution 3]**

5. 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 3]**

   a) Dato' Seri (Dr.) Goh Eng Toon **[Resolution 4]**
   b) Dato' Dr. Freezailah Bin Che Yeom **[Please see Note 4]** **[Resolution 5]**

6. To re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration. **[Resolution 6]**

AS SPECIAL BUSINESS

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

7. **Ordinary Resolution**
   Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965 **[Please see Note 5(a)]**

   "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 per centum (10%) 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 7]**

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

8. **Ordinary Resolution** **[Please see Note 5(b)]**
Continuation in Office as an Independent Non-Executive Director

"THAT, subject to the passing of Resolution 5, 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 8]**

9. **Ordinary 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 9]**

(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."

10. **Special Resolution** **[Please see Note 5(d)]**
Proposed Amendments to the Articles of Association of the Company

"THAT the amendments to the Articles of Association of the Company as set out in the Appendix 1 ("Proposed Amendments") on pages 192 to 197 of the 2015 Annual Report be and are hereby approved. **[Resolution 10]**

AND THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by the relevant authorities."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders at the Thirteenth Annual General Meeting to be held on 26 May 2016, a first and final single tier dividend of 2 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2015 will be paid on 15 June 2016.

The entitlement date for the dividend is 31 May 2016.

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 31 May 2016 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 April 2016

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.

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

(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 May 2016 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 2015**

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.

3. **RE-APPOINTMENT OF DIRECTORS PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965**

The Resolution 4 and Resolution 5, 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.

4. **RE-APPOINTMENT OF INDEPENDENT DIRECTOR**

In line with the Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the Nomination Committee and the Board of Directors ("Board") had undertaken an 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 Thirteenth Annual General Meeting. The annual assessment had been disclosed in the Corporate Governance Statement of the Company's 2015 Annual Report.

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 7 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 Twelfth Annual General Meeting held on 25 June 2015 as there were no requirements for such fund raising activities.

The proposed Resolution 7, 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 ten per centum (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 (9) years.

The Nomination Committee and the Board 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 is free from any business or other relationships which could interfere with his exercise of 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 8, if passed, will enable Dato' Dr. Freezailah Bin Che Yeom to continue to act as an Independent Non-Executive Director of the Company.

(c) PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The proposed Resolution 9, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the issued and paid-up share capital of the Company. Please refer to the Statement to Shareholders dated 29 April 2016 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

(d) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY ("PROPOSED AMENDMENTS")

The proposed Resolution 10, if passed, will approve the amendments to the Articles of Association of the Company. The Proposed Amendments are to align the Company's Articles of Association with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and to ensure clarity and consistency throughout the Articles of Association as well as to facilitate some administrative issues.

The detailed information on the Proposed Amendments is set out in Appendix 1 on pages 192 to 197 of the 2015 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

Directors who are standing for election at the Thirteenth 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 12 to 17. The details of their respective interests in the securities of the Company are set out in the section entitled "Analysis of Shareholdings" on pages 183 to 186.

Appendix 1

Salcon Berhad - Proposed Amendments to the Articles of Association

The details of the Proposed Amendments to the Articles of Association are as follows:-

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To insert new interpretation under Article 2	Not Applicable	**Interpretation** **Convertible Securities – Means securities which are convertible or exercisable, by their terms of issue, into listed shares.**
To amend Article 5(b)	Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by special resolution determine provided that:- (a) (Deleted) (b) the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and accounts and attending general meetings of the Company but shall only have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on such shares is in arrears for more than six (6) months; and (c) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 13 hereof issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith. Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.	Without prejudice to any special rights previously conferred on the holders of any share or class of shares already issued, but subject to the Act and these Articles any shares in the Company (whether forming part of the original capital or not) may be issued or have attached thereto such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by special resolution determine provided that:- (a) (Deleted) (b) the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and accounts and attending general meetings of the Company but shall only have the right to vote **in each of the following circumstances:-** **i. on a proposal to reduce the Company's share capital;** **ii. on the proposal for the disposal of the whole of the Company's property, business and undertaking;** **iii. on a proposal to wind up the Company;** **iv. during the winding-up of the Company;** **v. on a proposal that affects rights attached to the preference shares; and** **vi. when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months; and** (c) the Company shall not unless with the consent of the existing preference shareholders at a class meeting or pursuant to Article 13 hereof issue further preference capital ranking in priority above preference shares already issued but may issue preference shares ranking equally therewith. Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed.

Appendix 1

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To amend Article 12	Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of those shares in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this Article.	Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares **or other Convertible Securities** for the time being unissued and not allotted and any new shares **or other Convertible Securities** from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares **or Convertible Securities** to which they are entitled. The offer shall be made by notice specifying the number of shares **or Convertible Securities** offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Convertible Securities offered, the directors may dispose of those shares **or Convertible Securities** in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new shares **or Convertible Securities** which (by reason of the ratio which the new shares or Convertible Securities bear to shares **or Convertible Securities** held by persons entitled to an offer of new shares **or Convertible Securities**) cannot, in the opinion of the directors, be conveniently offered under this Article.
To amend Article 60	Subject always to the provisions of Section 151 of the Act no business shall be transacted at an extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting, other than business of which notice has been given as aforesaid, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the report of the directors and auditors, the election and remuneration of directors, and the appointment and fixing of the remuneration of the auditors.	Subject always to the provisions of Section 151 of the Act no business shall be transacted at an extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting, other than business of which notice has been given as aforesaid, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the report**s** of the directors and auditors, the election of directors, **the payment of Directors' fees** and the appointment and fixing of the remuneration of the auditors.

Appendix 1

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To amend Article 66	All business shall be deemed special that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of the receipts and consideration of the profit and loss account, the balance sheet and group account (if any) of the Company and the reports of the directors and auditors and other documents required to be annexed to the balance sheet, the declaration of dividends, the election of directors<u> and other officers in the place of those retiring</u>, payment of Directors' fees, the appointment of, and the fixing of the remuneration of the auditors.	All business shall be deemed special that is transacted at any extraordinary general meeting and also all business that is transacted at an annual general meeting, with the exception of the receipts and consideration of the profit and loss account, the balance sheet and group account (if any) of the Company and the reports of the directors and auditors and other documents required to be annexed to the balance sheet, the declaration of dividends, the election of directors, payment of Directors' fees, the appointment of, and the fixing of the remuneration of the auditors.
To amend Article 108(c)	The directors shall not without the prior approval of the Company in general meeting:- (a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of the main undertaking or property of the Company which would materially and adversely affect the performance or financial position of the Company; (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; (c) enter into any arrangement or transaction with a director of the Company or its holding company or with a person connected with such a director to acquire from or dispose to such a director or person any non-cash assets of the requisite value.	The directors shall not without the prior approval of the Company in general meeting:- (a) carry into effect any proposal or execute any transaction for the acquisition of any undertaking or property of a substantial value, or the disposal of a substantial portion of the main undertaking or property of the Company which would materially and adversely affect the performance or financial position of the Company; (b) exercise any power of the Company to issue shares unless otherwise permitted under the Act; (c) **subject to Section 132E of the Act,** enter into any arrangement or transaction with a director of the Company or its holding company or with a person connected with such a director to acquire from or dispose to such a director or person any non-cash assets of the requisite value **as stated in the Act.**
To amend Article 115	The Company shall in accordance with the provisions of Section 141 of the Act keep at the Registered Office a register containing such particulars with respect to the directors, managers and secretaries of the Company as are required by and shall from time to time notify the Registrar of any change in such Register and of the date of such change in the manner prescribed by that section.	The Company shall in accordance with the provisions of Section 141 of the Act keep at the Registered Office a register containing such particulars with respect to the directors, managers and secretaries of the Company as are required by and shall from time to time notify the **relevant authority** of any change in such Register and of the date of such change in the manner prescribed by that section.

Appendix 1

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To delete Article 131	**MANAGING DIRECTOR** (1) The directors may from time to time appoint any one (1) or more of their body to be the Managing Director. (2) Any such appointment shall be for such period not exceeding five (5) years subject to reappointment and on such terms as they think fit, and may vest in such Managing Director as may be appointed by them such of the powers hereby vested in the directors generally as they may think fit. The Managing director shall be subject to the control of the Board of Directors.	**DELETED**
To insert new Article 131	**Not Applicable**	**EXECUTIVE CHAIRMAN, MANAGING DIRECTOR AND EXECUTIVE DIRECTOR** **The directors may from time to time appoint any one (1) or more of their body to any executive office including but not limited to the offices of Executive Chairman, Managing Director or Executive Director and if the appointment is for a fixed term, that term shall not exceed three (3) years and upon such terms as they think fit, and, may entrust to and confer upon a director holding such executive office, any powers exercisable by them as directors generally as they may think fit, but such director so appointed shall be subject to the control of the Board of Directors.**

Appendix 1

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To amend Article 132	The remuneration of the Managing director shall subject to the terms of any agreement entered into in any particular case be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration may not include a commission on or a percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.	The remuneration of **a director holding an executive office pursuant to these Articles** shall subject to the terms of any agreement entered into in any particular case be by way of salary or commission or participation in profits or otherwise or by any or all of these modes **as the directors may determine** but such remuneration **shall** not include a commission on or a percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.
To amend Article 133	The Managing director shall, while he continues to hold such office be subject to retirement by rotation, and he shall be reckoned as director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other directors of the Company and if he ceases to hold the office of director from any cause shall ipso facto and immediately ceases to be the Managing director.	**A director holding an executive office pursuant to these Articles** shall, while he continues to hold such office be subject to retirement by rotation, and he shall be reckoned as director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other directors of the Company. **The appointment of a Managing Director or Executive Chairman shall terminate if he ceases to hold the office of director, but without prejudice to any claim for damages which he may have for breach of any contract of service. The tenure by a director of any other executive office or appointment shall not terminate on his ceasing to be a director unless the terms of his appointment expressly otherwise provide.**

Appendix 1

ARTICLE NO.	EXISTING PROVISIONS	AMENDED PROVISIONS
To amend Article 155	The directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the Section. The interval between the close of a financial year of the Company and the issue of accounts relating to it such as the annual audited accounts, the directors' and auditors' reports shall not exceed four (4) months. A copy of each such documents shall not less than fourteen (14) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange shall at the same time be likewise sent to the Exchange provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any members to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Registered Office. For avoidance of doubt, the Company shall be entitled to send the copy of every balance sheet, profit and loss account and the directors' and auditors' reports (including every document required by law to be annexed thereto) to the members via CD-ROM or other electronic means.	The directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the Section. A copy of each such documents shall not less than fourteen (14) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the Exchange shall at the same time be likewise sent to the Exchange provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any members to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Registered Office. For avoidance of doubt, the Company shall be entitled to send the copy of every balance sheet, profit and loss account and the directors' and auditors' reports (including every document required by law to be annexed thereto) to the members via CD-ROM or other electronic means.

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PROXY FORM

salcon

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 Thirteenth 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, 26 May 2016 at 10.30 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of the first and final single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2015.		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2015.		
3.	To re-elect Dato' Leong Kok Wah as Director.		
4.	To re-appoint Dato' Seri (Dr.) Goh Eng Toon as Director.		
5.	To re-appoint Dato' Dr. Freezailah Bin Che Yeom as Director.		
6.	To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To grant authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.		
8.	To approve Dato' Dr. Freezailah Bin Che Yeom to continue to act as an Independent Non-Executive Director.		
9.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
10.	To approve the Proposed Amendments to the Articles of Association of the Company.		

*(*Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)*

Dated this ______________ day of ______________, 2016.

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 or Common Seal of Shareholder
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 May 2016 will be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on their behalf.

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AFFIX
STAMP
HERE

SALCON BERHAD (593796-T)

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

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