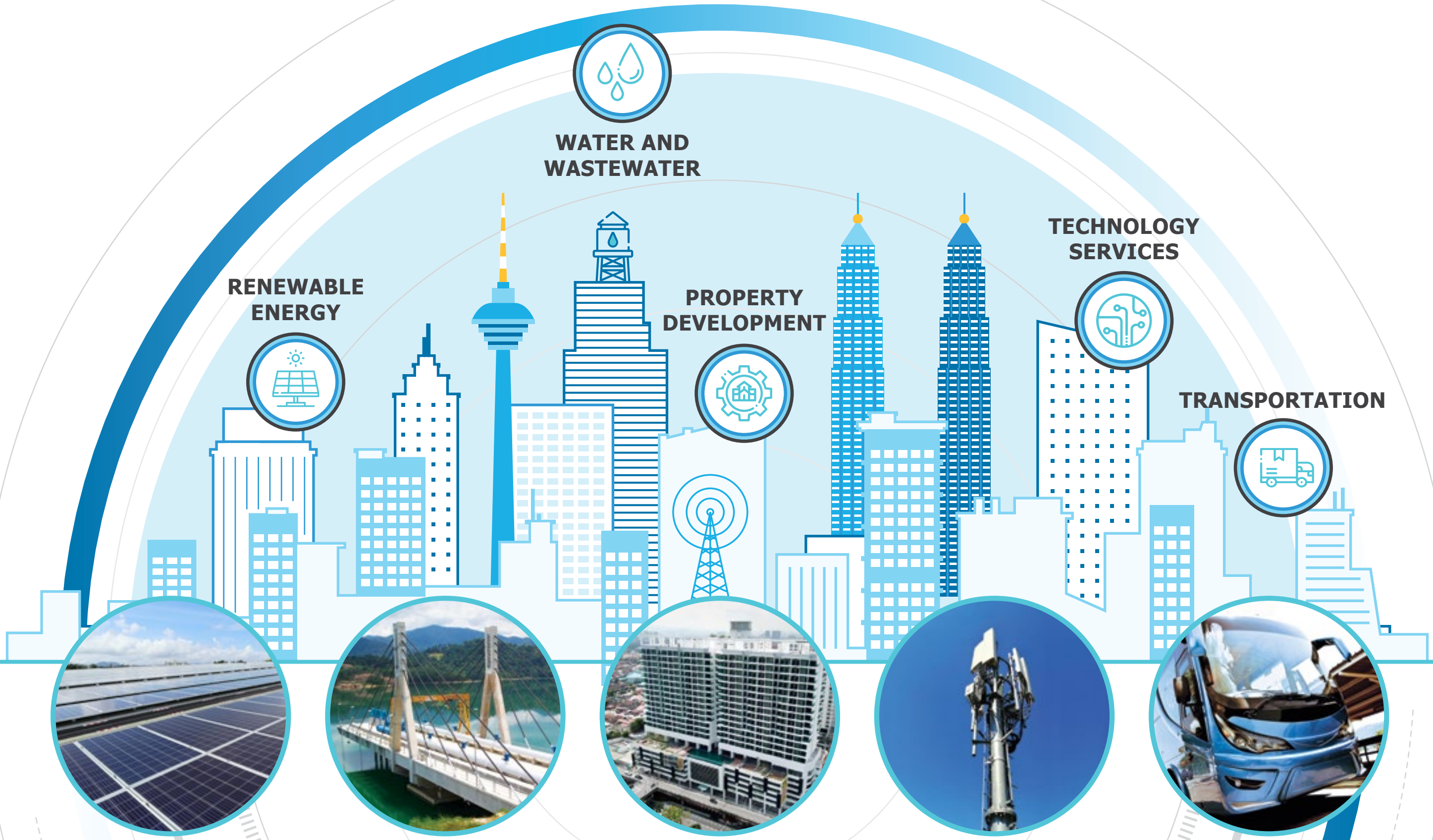
salcon



STRATEGIC
DIVERSIFICATION

Annual Report 2020

OUR VISION

To be a respected and synergistic corporation **transforming lives for the better**.

OUR MISSION

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

CORE VALUES

COMMITMENT OWNERSHIP TEAMWORK RESULT ORIENTED RESPECT

COMMITMENT
We deliver consistent and high quality products and services through the most efficient use of resources

OWNERSHIP
We take full responsibility and accountability for all our actions

TEAMWORK
We believe that unified efforts bring about greater synergy and productivity in our pursuit of excellence

RESULT ORIENTED
We strive towards maximising stakeholders' values and returns

RESPECT
We respect our employees regardless of gender, race or religion and inspire them to be their best

18TH Annual General Meeting

DATE
Wednesday, 23 June 2021

TIME
10.30 a.m.

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

COVER RATIONALE

The use of circular motion in this cover illustrates Salcon's fortitude to deliver operational excellence and sustainability to transform lives for the better. Salcon's latest acquisition is well-aligned with our strategy of growth and diversification, and will deliver significant synergies, economies of scale and enlarged market presence to bring greater long-term value to Salcon's stakeholders.

Scan the QR Code or view our Annual Report PDF online version at **https://www.salcon.com.my/investor-relations/Company-Report/annual-report.html**

INSIDE THIS REPORT

01 BUSINESS OVERVIEW

Overview of the group, our businesses and the values created by our key business portfolios.

02 LEADING THE WAY FOR VALUE CREATION

Overview of our board members and management team who are responsible for sustaining the long-term growth of the company.

03 HOW WE CREATE VALUE

Overview on how we use the resources, capabilities and expertise at our disposal to create value for our stakeholders, to manage and nurture a sustainable and profitable business including strategic and operational performance review.

04 GOVERNANCE STATEMENT

Overview on how we uphold the highest standards of governance, guiding our businesses and operations and commitment to maintain a sound and effective control and risk management system.

05 FINANCIAL STATEMENTS

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

06 OTHER INFORMATION

ABOUT THIS REPORT

This is Salcon Berhad's inaugural integrated Annual Report 2020, prepared in accordance with the principles prescribed by the International Integrated Reporting Council ("IIRC"). Embarking on the Integrated Reporting ("IR") journey is a stepping stone for us towards more forward looking corporate reporting, in terms of our value creation approach in managing and operating our input capitals. This report serves to communicate to our stakeholders regarding the Group's performance, growth and strategies in a transparent and accountable manner.

SCOPE AND BOUNDARY

This report covers our financial and non-financial performance from 1 January to 31 December 2020. All financial statements have been prepared in accordance with the requirements of the Companies Act 2016 ("CA 2016") and Malaysian Financial Reporting Standards ("MFRSs").

Our reporting coverage is based on group-level disclosure unless otherwise stated.

REPORTING FRAMEWORK

The reporting framework of this report is prepared in accordance with the followings:

- <IR> Framework by International Integrated Reporting Council ("IIRC")
- Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")
- Companies Act 2016 ("CA 2016")
- Malaysian Code on Corporate Governance 2017
- The Malaysian Financial Reporting Standards ("MFRS")
- Bursa Malaysia Sustainability Reporting Guidelines 2nd Edition
- Bursa Malaysia Corporate Governance Guide 3rd Edition
- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiatives ("GRI") Standards
- AA1000 Stakeholder Engagement Standards 2015 Stakeholder Engagement Standards 2015
- Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations

MATERIALITY

We conducted our materiality assessment based on Bursa Malaysia Sustainability Reporting Guidelines 2nd edition and sought our stakeholders' input in addition to the business' perspectives to determine the material issues which impact our ability to create value for our stakeholders. Our strategic responses to these material issues are presented throughout this report.

FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report is written based on current information and expectation at the time of preparing this report and are subject to risks and uncertainties and other factors. The actual implementation and results may differ from our expectations depending on a number of emerging risks, market uncertainties and other important matters that beyond management's control that could adversely affect our business and financial performance.

APPROVAL BY THE BOARD

The Board, supported by the Sustainability Committee and Sustainability Working Group, have applied its collective mind to assess the content of this report to ensure fair and balanced disclosures of matters deemed material in the Group's value creation process. The Board acknowledges its responsibility to ensure the integrity of the Annual Report. In the Board's opinion, the report addresses all material issues and matters and fairly presents the Group's performance for the year 2020.

This report was approved by Salcon Group's of Board of Directors on 23 February 2021.

NAVIGATION ICONS

Our Capitals

- FINANCIAL CAPITAL
- HUMAN CAPITAL
- MANUFACTURED CAPITAL
- INTELLECTUAL CAPITAL
- NATURAL CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL

Our Focus Areas

- **BUSINESS MODEL & INNOVATION**
  Maximising Shareholders' Value
- **LEADERSHIP & GOVERNANCE**
  Becoming a Trusted & Reliable Working Partner
- **HUMAN CAPITAL**
  Building a Thriving Workplace for Employees
- **ENVIRONMENT**
  Protecting the Environment
- **SOCIAL CAPITAL**
  Engage & Uplift the Community

Our Key Material Issues

- MI 1 BUSINESS MODEL & FINANCIAL MANAGEMENT
- MI 2 PROJECT MANAGEMENT & DELIVERY
- MI 3 SUPPLY CHAIN MANAGEMENT
- MI 4 CRITICAL INCIDENT RISK MANAGEMENT
- MI 5 TALENT ATTRACTION, GROWTH & RETENTION
- MI 6 TECHNOLOGY & INNOVATION
- MI 7 BUSINESS ETHICS
- MI 8 SYSTEMATIC RISK MANAGEMENT
- MI 9 EMPLOYEE HEALTH & SAFETY
- MI 10 EMPLOYEE ENGAGEMENT, DIVERSITY & INCLUSION
- MI 11 WATER & WASTEWATER MANAGEMENT
- MI 12 POLLUTION & RESOURCES MANAGEMENT

Cross References

Tells you where you can find more information within the report.

Tells you where you can find more information online at www.salcon.com.my

ABOUT US

WHO WE ARE

Salcon Berhad is an investment holding company with core investments in water and wastewater engineering & construction, focusing on the investment, design, construction, commissioning, operation & maintenance of water and wastewater treatment plants and ancillary facilities across Asia. The Group's expertise and vast experience in water and wastewater solutions for over 40 years has crossed geographical borders to benefit communities in other countries such as Sri Lanka, Thailand and Vietnam.

Today, Salcon takes pride as a sustainable organisation with portfolio diversification into technology services, property development, transportation and other businesses with the objective of enhancing long-term shareholders' value.

OUR PURPOSE

Transforming lives for the better through sustainable business portfolios

We ***enrich people's lives*** through our products and services whilst ensuring long-term, ***sustainable value creation*** for shareholders.

We build ***sustainable enterprises*** and seek to ensure that every company in our portfolio fulfils our requirements and makes a ***positive contribution*** to a more sustainable world.

We identify growth opportunities for new products and markets to ***improve returns on capital*** through sustainable value chains and operations whilst ***managing regulatory, reputational and operational risks & opportunities***.

WATER AND WASTEWATER ENGINEERING

WHAT WE DO

We provide end-to-end water and wastewater solutions from raw water management, design, construction, commissioning, concession, operation & maintenance of water and wastewater treatment facilities including downstream activities ie non-revenue water reduction, customer service, billings and collection.

HOW WE CREATE VALUE

- Providing communities with ***clean, safe and reliable water*** for healthy and sustainable living.

WHERE WE OPERATE

PROPERTY DEVELOPMENT

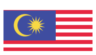
WHAT WE DO

We offer niche property development which cater to market/community needs.

HOW WE CREATE VALUE

- Providing ***quality, sustainable living environment*** & a ***memorable experience*** for our customers.

WHERE WE OPERATE



TECHNOLOGY SERVICES

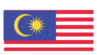
WHAT WE DO

We provide ultra-low latency mobile backhaul services as well as metro ethernet for carrier and enterprise markets through our fiber optic backbone in the Klang Valley.

HOW WE CREATE VALUE

- Pioneering ***smart city solutions*** which focus on ***sustainable outcomes*** for the people, municipal authorities and delivery partners
- Enabling ***efficient*** and ***fast telecommunication networks***.

WHERE WE OPERATE



TRANSPORTATION

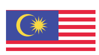
WHAT WE DO

We provide workers transportation for multinational companies in the northern region of Malaysia, inbound and outbound tour services including providing palm oil and soy oil product transporting service.

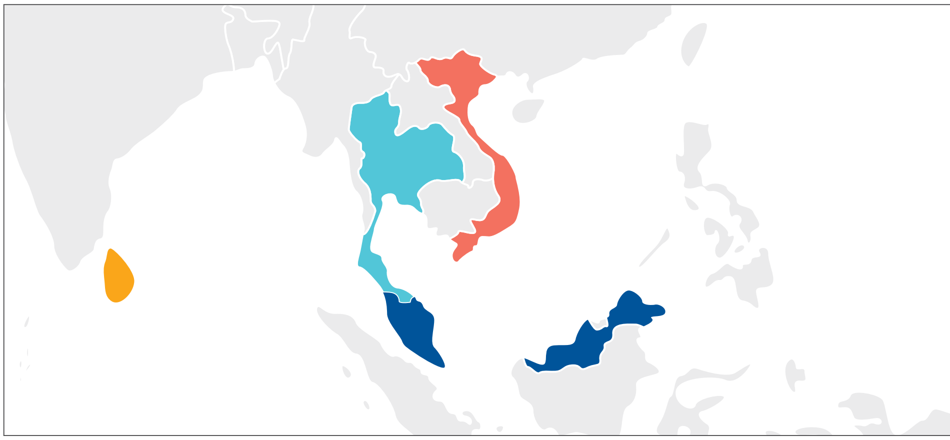
HOW WE CREATE VALUE

- Enabling a ***safe & reliable*** travel experience while ***protecting & conserving*** our environment
- Delivering goods/services ***safely*** and ***minimising*** our ***carbon footprint***.

WHERE WE OPERATE



FACTS AT A GLANCE



GEOGRAPHICAL PRESENCE

- Malaysia (HQ)
- Thailand
- Sri Lanka
- Vietnam

BUSINESS OPERATIONS

Established in
1974

More than
5,000 MLD
of water treatment capacity successfully delivered

More than
1,000
water and wastewater projects completed

326
Employees in all operations (as at 31 December 2020)

13
Branch/Subsidiary Offices

6th
Consecutive year recognised under FTSE4Good Bursa Malaysia Index

FTSE4Good

SEGMENTAL REVENUE

Engineering & Construction (RM'000)
153,593
Compared to FY2019: ▼6%

Trading & Services (RM'000)
16,792
Compared to FY2019: ▼12%

Property Development (RM'000)
23,763
Compared to FY2019: ▲206%

AWARDS WON

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

Asia Sustainability Reporting Awards
Asia's Best Sustainability Report (SME)
BRONZE 2019
asra

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Datin Goh Phaik Lynn
Non-Independent Non-Executive Director

Dato' Choong Moh Kheng
Independent Non-Executive Director

Chan Seng Fatt
Independent Non-Executive Director

Dato' Rosli bin Mohamed Nor
Independent Non-Executive Director

AUDIT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Rosli bin Mohamed Nor
Datin Goh Phaik Lynn
(Appointed on 30/06/2020)
Dato' Choong Moh Kheng
(Resigned on 30/06/2020)

NOMINATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

REMUNERATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

RISK MANAGEMENT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Leong Kok Wah
Law Woo Hock
Jamiluddin Amini Bin Sulaiman
Leong Yi Shen
(Appointed on 01/01/2021)
Ooi Cheng Swee @ Wee Kwee Swee
(Resigned on 31/12/2020)

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor
(Chairman)
Dato' Leong Kok Wah
Law Woo Hock
Jamiluddin Amini Bin Sulaiman
(Appointed on 01/01/2021)
Chern Meng Gaik
Ooi Cheng Swee @ Wee Kwee Swee
(Resigned on 31/12/2020)

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

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
Malaysia

Tel : 603-8024 8822
Fax : 603-8024 8811

AUDITORS

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

PRINCIPLE BANKERS

HSBC Bank (Malaysia) Berhad
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 [197101000970
(11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

Tel : 603-2783 9299
Fax : 603-2783 9222

STOCK EXCHANGE LISTING

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

WEBSITE

www.salcon.com.my

CORPORATE STRUCTURE (AS AT 31 MARCH 2021)

- **100%** Salcon Engineering Berhad
  - **1%** Salcon Water (HK) Limited
- **99%** Salcon Water (HK) Limited
- **70%** Salcon SER Sdn Bhd
  - **67%** Satria Megajuta Sdn Bhd
- **49%** Salcon Petroleum Services Sdn Bhd
- **100%** Salcon Capital Sdn Bhd
  - **51.3%** Eco-Coach & Tours (M) Sdn Bhd
- **100%** Salcon Petroleum Services (Labuan) Limited
- **50% + 2 shares** Volksbahn Technologies Sdn Bhd
- **51%** Integrated Water Services (M) Sdn Bhd
- **100%** Salcon Power (HK) Limited
- **80%** Fortune Command Sdn Bhd
- **90%** Nusantara Jasakita Sdn Bhd
  - **51%** JR Engineering and Medical Technologies (M) Sdn Bhd
- **100%** Kencana Kesuma Sdn Bhd
- **100%** Salcon Water(Asia) Limited
- **100%** Salcon Development Sdn Bhd
  - **50% + 1 share** Azitin Venture Sdn Bhd
  - **70%** Prestasi Kemas Sdn Bhd
  - **100%** Nusantara Megajuta Sdn Bhd
- **51%** Salcon Xinlian Sdn Bhd
- **70%** Salcon Utilities Sdn Bhd

100%
Senstrac Sdn Bhd

100%
Eco Tours Asia Sdn Bhd

100%
Green Fleet Sdn Bhd

60%
Envitech Sdn Bhd

50%
WET Envitech Sdn Bhd

40%
Emas Utilities Corporation Sdn Bhd

90%
Binh An Water Company Limited

36%
Salcon MMCB AZSB JV Sdn Bhd

100%
Precise Metal Sdn Bhd

50%
Salcon MMCES AZSB JV Sdn Bhd

50%
Salcon Loh & Loh JV Sdn Bhd

100%
Salcon (Sarawak) Sdn Bhd

100%
Bumi Tiga Enterprise Sdn Bhd

100%
Salcon Building Services Sdn Bhd

100%
Skeel Engineering Sdn Bhd

60%
Salcon WP Sdn Bhd (f.k.a Digital Momentum Sdn Bhd)

40%
Salcon (Perak) Sdn Bhd

100%
Salcon Environmental Services Sdn Bhd

100%
Salcon-Centrimax Engineering Sdn Bhd

100%
Salcon Engineering Vietnam Co. Ltd

100%
Salcon Petroleum Services (Asia Pacific) Sdn Bhd

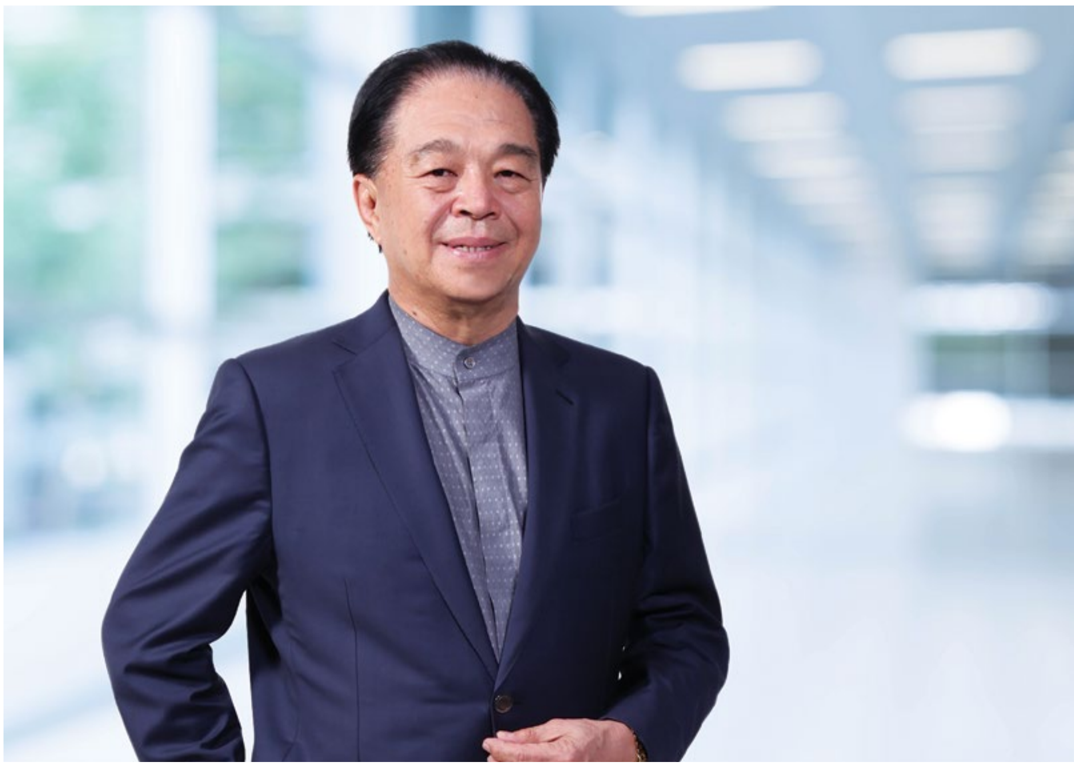
100%
JTT Advisory Sdn Bhd

100%
Glitteria Sdn Bhd

100%
Logit Sdn Bhd

BOARD OF DIRECTORS' PROFILE

From dedicated and strong board members to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in. The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth of the Company by delivering profitability and a healthy economic performance.



BOARD OF DIRECTORS AGE COMPOSITION

≤ 60	28.6%
61-74	71.4%

LENGTH OF SERVICE (YEARS)

< 5	42.9%
5-10	57.1%

TAN SRI ABDUL RASHID BIN ABDUL MANAF

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | AGE 74 | Malaysian

Appointed to the Board:
2 January 2019

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 74, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

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

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

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

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

TAN SRI DATO' TEE TIAM LEE

EXECUTIVE DEPUTY CHAIRMAN

Male | AGE 63 | Malaysian

Appointed to the Board:
1 January 2010

Tan Sri Dato' Tee Tiam Lee, aged 63, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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

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

BOARD OF DIRECTORS' PROFILE

DATO' LEONG KOK WAH
EXECUTIVE DIRECTOR

Male | AGE 67 | Malaysian

Appointed to the Board:
1 January 2010

Dato' Leong Kok Wah, aged 67, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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

DATO' CHOONG MOH KHENG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | AGE 65 | Malaysian

Appointed to the Board:
3 January 2011

Dato' Choong Moh Kheng, aged 65, male, was appointed to the Board of Salcon on 3 January 2011.

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

Dato' Choong has an extensive working experience in both Civil and Building works include Astrid Meadows luxurious Condominium Project, Singapore (S55.1 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.

DATIN GOH PHAIK LYNN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female | AGE 60 | Malaysian

Appointed to the Board:
30 December 2019

Datin Goh Phaik Lynn, aged 60, female, was appointed to the Board of Salcon on 30 December 2019.

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

Datin Goh has extensive experience and illustrious career in corporate banking sector. She was the General Manager, Head of Corporate banking and Investment Division of Ban Hin Lee Bank and a member of the Board of BHLB Pacific Trust Management Bhd (Unit Trust company) and BHLB Asset Management Bhd from 1983 to 2000. Ban Hin Lee Bank had merged with Southern Bank Berhad which was later acquired by CIMB Bank Berhad.

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

Datin Goh is a member of the Audit Committee of the Company.

DATO' ROSLI BIN MOHAMED NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | AGE 62 | Malaysian

Appointed to the Board:
2 July 2018

Dato' Rosli Bin Mohamed Nor, aged 62, male, was appointed to the Board of Salcon on 2 July 2018.

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

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

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

Dato' Rosli is currently an Independent Non-Executive Director, Chairman of Audit & Risk Management Committee and Remuneration Committee of Econpile Holdings Berhad. He also sits on the board of ADS Sentral Sdn Bhd, a subsidiary of TRC Synergy Berhad and KMK Plus Sdn Bhd, the later being his privately owned construction firm.

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

BOARD OF DIRECTORS' PROFILE

CHAN SENG FATT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 57 | Malaysian

Appointed to the Board:
17 December 2014

Chan Seng Fatt, aged 57, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

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

Mr Chan Seng Fatt has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in October 2007 and held the position till December 2012. Mr Chan was formerly an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 till 31 March 2021.

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

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

Notes:-

1. *All Directors attended the five (5) Board of Directors' meetings held during the financial year ended 31 December 2020.*
2. *There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a Director and major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, and her spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming), is the spouse of Dato' Leong Kok Wah.*
3. *None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.*
4. *None of the Directors has been convicted for offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.*

KEY SENIOR MANAGEMENT'S PROFILE

LAW WOO HOCK

DIRECTOR - CORPORATE AFFAIRS & FINANCE/CHIEF FINANCIAL OFFICER

Male | AGE 56 | Malaysian

Date of first appointment to key senior management position:
1 November 2005

Name of Company:
Salcon Berhad

Qualification (s):
- A qualified accountant and fellow member of The Association of Chartered Certified Accountants (ACCA), UK.
- A member of Malaysian Institute of Accountants (MIA).

Working Experience (s):

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

JAMILUDDIN AMINI BIN SULAIMAN

CHIEF OPERATING OFFICER

Male | AGE 53 | Malaysian

Date of first appointment to key senior management position:
29 June 2010

Name of Company:
Salcon Engineering Berhad

Qualification (s):
- Bachelor of Science (Chemical Engineering), Brown University, Rhode Island, USA

Working Experience (s):

Jamiluddin Amini Bin Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the past 30 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

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

He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a team in Sg. Selangor Water Supply Scheme Phase 2 Stage 1 project. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project and Director of Engineering & Proposal. In January 2021, he assumes the present position and oversees the overall operation of various divisions and departments of the company in water and wastewater sectors.

KEY SENIOR MANAGEMENT'S PROFILE

LEE THIM LOY
MANAGING DIRECTOR

Male | AGE 72 | Malaysian

Date of first appointment to key senior management position:
30 August 1984

Name of Company:
Envitech Sdn Bhd

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

Working Experience (s):

Ir. Lee Thim Loy has more than 47 years of experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

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

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

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

LOW BENG PEOW
EXECUTIVE DIRECTOR

Male | AGE 74 | Malaysian

Date of first appointment to key senior management position:
30 August 1984

Name of Company:
Envitech Sdn Bhd

Qualification (s):

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

Working Experience (s):

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

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

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

CHIEF EXECUTIVE OFFICER

Male | 57 | Malaysian

Date of first appointment to key senior management position:
May 2014

Name of Company:
Volksbahn Technologies Sdn Bhd

Qualification (s):
- Bachelor of Business Administration and International Marketing from Eastern Michigan University US.

Working Experience (s):

Dato' Mohammad Hakim Low Bin Abdullah has more than 20 years of Telco Industry experience in senior positions with Malaysian and International Companies such as Wembley Industries, Lucent Technologies, Sapura Digital, Commverge Solutions and KargoCard. In his various commercial roles, he spearheaded the introduction and boost of sales for new products and services for the telecommunication and consumer industry.

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

VERGIS MATHEWS A/L V V MATHEW

CHIEF EXECUTIVE OFFICER

Male | 60 | Malaysian

Date of first appointment to key senior management position:
1997 - Managing Director

Name of Company:
Eco-Coach & Tours (M) Sdn Bhd

Qualification (s):
- ACCA (UK Variance)

Working Experience (s):

Vergis Mathews has extensive career experience in various industries including transportation or logistic business for more than 20 years, film production, advertising and marketing, and audit and corporate tax.

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

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

Notes:-
All key senior management do not have:
1. *Directorship in other public companies.*
2. *Any family relationship with any director and/or major shareholder of Salcon Berhad.*
3. *Any conflict of interests with Salcon Berhad.*
4. *Other than traffic offences, none of the key senior management had been convicted for offences within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.*

VALUE CREATION MODEL

Salcon's value creation model shows how we use the resources, capabilities and expertise at our disposal to create value for our stakeholders. Our business model transforms these six input capitals into value outputs and outcomes that over the short, medium and long-term create value for the organisation, our stakeholders and society at large.

ALIGNED TO GLOBAL STANDARDS & GOALS

FTSE4Good | SUSTAINABLE DEVELOPMENT GOALS | TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

KEY INPUTS

Financial Capital

Cash, equity and debt provided by banks, shareholders or generated through operations or investments

Human Capital

Our experienced and skilled employees, our key asset, and the capacity to add value through human capital development

Manufactured Capital

Tangible assets and property or infrastructure owned, leased or controlled by Salcon that contributes to the delivery of our products and services

Intellectual Capital

Intellectual property, R&D capabilities, brand and reputation, a key element of our future earning potential and competitive advantage

Natural Capital

Stock of natural resources or environmental assets (water, energy, materials, biodiversity and ecosystem health) that are fundamental to our future prosperity

Social And Relationship Capital

Relationships within Salcon and between Salcon and its external stakeholders, which are essential to retaining our social license to operate

VALUE CREATION PROCESS

OUR VISION

To be a respected and synergistic corporation transforming lives for the better.

OUR MISSION

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

This integrated thought process guides us to consider the different factors that impact our business model and which the business in turn impacts upon in the process of achieving our vision and mission. It provides a structured and considered approach to enable integrated values creation across our businesses and consequently setting measurable targets towards achieving each goal in each performance outcome area as presented in this report.

INTEGRATED REPORTING ⟨IR⟩ BURSA MALAYSIA GRI

CORE VALUES

Commitment
Ownership
Teamwork
Result Oriented
Respect

Setting strategy & allocation of resources in short, medium and long term

Identify and review key material issues which matter to stakeholders

Analyse business & ESG risks and opportunities for the Group

Monitor the progress of performance based on the targets set

Ensuring strong governance on business strategies and ESG practices

KEY OUTPUTS

Our Focus Areas

BUSINESS MODEL & INNOVATION
Refer page 52

LEADERSHIP & GOVERNANCE
Refer page 56

HUMAN CAPITAL
Refer page 60

ENVIRONMENT
Refer page 67

SOCIAL CAPITAL
Refer page 80

THE VALUES WE CREATE

Maximising Shareholders' Value

Deliver sustainable, profitable and socially beneficial outcomes through our sector leadership and role in creating a more innovative and sustainable business and effective risk management strategies.

Becoming a Trusted & Reliable Working Partner

Leading the way in driving sustainable performance across our value chain, and positioning ourselves as the trusted and reliable working partner with stakeholders.

Building a Thriving Workplace for Employees

Providing employment opportunities and skills development for our people and ensuring a work-life balance and safe workplace.

Protecting the Environment

Working with our stakeholders to maximise resource utilisation, minimise our footprint and protect the environment wherever we operate.

Engage & Uplift the Community

Creating local employment and skills opportunities, coupled with our understanding of the needs of our communities, ensure we deliver a significant and positive contribution to the society.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors' of Salcon Berhad ("Company"), I am pleased to present the Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group"), for the financial year ended 31 December 2020 ("FYE2020").

The year under review was yet another highly challenging year for us as we continue to strive to create value amidst an increasingly demanding local economic and political environment. Globally, the COVID-19 pandemic has had a significant impact on people and economies worldwide; the Group included. In this economic environment, the Group exercised financial prudence and tightened operating costs whilst staying the course in executing our action plan to deliver sustainable, profitable and socially beneficial outcomes through our sector leadership. As a result, the Group strengthened its financial position in FYE2020 to narrow its losses compared to the previous year.

Please refer to the Performance Review in Management Discussion and Analysis on page 30.

MAXIMISING SHAREHOLDERS' VALUE

Despite the emergency declaration and Movement Control Order ("MCO") 2.0 enforcement, Malaysia's Gross Domestic Product is expected to grow between 6.0% and 7.5% in 2021, after a 5.6% contraction in 2020, driven by the anticipated improvement in global growth and international trade.

Notwithstanding the volatilities in the economy, the Group remains steadfast in our commitment to grow and maximise shareholder value through a resilient business model which builds on four (4) elements 1) Strong and effective Board and leadership team, 2) People - Attracting and retaining employees with alignment to the Company's values, purpose, and sustainability impacts 3) Process - Ensuring that Enterprise Risk Management (ERM) processes fully consider sustainability challenges such as climate resilience, natural resource availability, and social volatility and 4) Product - Generating revenue growth by developing products, services, and solutions that meet sustainability needs, and viewing the sustainability challenge not as a risk to be mitigated, but as a driver of innovation for new products, services, and technologies.

Please refer to page 52 for more information.

STRATEGIC EXPANSIONS

In line with our strategy to maximise shareholder value, the Group undertook the acquisition of a 51% stake in JR Engineering and Medical Technologies (M) Sdn Bhd ("JR"), a glove manufacturing company which comes with a Profit Guarantee of RM10 million per annum in JR for the financial year 1 January to 31 December for years ending 2021, 2022 and 2023. Besides this, the Group also inked three solar power purchase agreements with HeveaPac Sdn Bhd ("HeveaPac") through its subsidiary, Satria Megajuta Sdn Bhd. The project is expected to be fully operational by the first half of 2021 and will contribute an additional stream of sustainable recurring income to the Group.

In the water and wastewater landscape in Malaysia, following the easing of the MCO 1.0, the Group's constructions activities have picked up pace and prospects in the water and wastewater sector remains resilient as the federal government continues to make huge investments to improve the water quality and services in the country, especially the rural areas. Under the 12th Malaysia Plan which is to be tabled in 2021, Environment and Water Minister, Datuk Tuan Ibrahim Tuan Man has reported that RM10 billion will be set aside to improve the nation's water supply network.

The Group's investments and synergistic opportunities in technology services via Volksbahn Technologies Sdn Bhd and transportation services through Eco-Coach & Tours (M) Sdn Bhd have begun to bear fruits and have contributed positively during the year under review.

Both business expansions in JR and HeveaPac are well-aligned with Salcon's strategy of growth and diversification to build a resilient business model. The resulting significant synergies, and enlarged market presence will strengthen the Group's growth profile and bring greater long-term value to our stakeholders. With these measures in place, we are confident that the Group's management team will be able to continue to steer our ship on an even keel.

CREATING VALUE THROUGH SUSTAINABILITY

The Group is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in whilst upholding our mission of providing top quality products and services.

Salcon's value creation model encapsulates our commitment to create inclusive and sustainable value over the long-term by thinking holistically about our strategy and plans, making informed decisions and managing key risks and opportunities to build investor and stakeholder confidence and improve future performance. The Group's value creation strategy integrates the Sustainable Development Goals (SDGs) in our business operations to uphold our vision of 'transforming lives for the better' and ensuring a more equitable future for all.

Please refer to value creation model on page 18.

I am pleased to announce that the Group has been included in the FTSE4Good Bursa Malaysia Index for the 6th consecutive year. Additionally, the Group's leadership in sustainability reporting and its commitment to creating long-term value for stakeholders was recognised at the 2019 Asia Sustainability Reporting Awards in the Asia Best Sustainability Report (SME) category.

DELIVERING VALUE TO SHAREHOLDERS

For FYE2020, we are pleased to announce that the Board of Directors has recommended a first and final single tier dividend comprising one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the FYE2020.

GOING FORWARD

We acknowledge that the uncertainty in the economic environment that we are in have impacted our operations and financial performance. Nevertheless, the Group remains committed to deliver sustainable growth and building a stable earnings stream by diversifying our business portfolio. The Group expects to potentially benefit from a recovery in earnings prospects as it diversifies into a lucrative growth segment. We shall remain steadfast in overcoming the challenges and to remain competitive in the market by undertaking the relevant mitigation strategy and plans to bring sustainable values to our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our deepest appreciation and gratitude to our capable and reliable management team and staff, for their continuous dedication, commitment and support in executing our business objectives throughout the year, and remaining resolute especially during the MCO period where various austerity measures had to be introduced to preserve business continuity. My gratitude also goes to our customers, business partners, suppliers, government authorities and regulators for their confidence and continued co-operation in furthering our business growth.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OUTLOOK AND STRATEGIC REVIEW

Global and Malaysia Market Outlook 2021

FY2020 was a highly volatile year with an unprecedented health crisis which has inflicted high and rising human costs worldwide. Nevertheless, with the start of the first rollout of COVID-19 vaccines in December 2020, global economic recovery is expected to pick up pace from mid-2021. According to the IMF World Economic Outlook Update (April 2021), the global economy is projected to grow 6.0%% in 2021 (-3.3% in 2020). On the local front, Bank Negara Malaysia ("BNM") had projected Malaysia's Gross Domestic Product growth forecast to be between 6.0% - 7.5% in 2021. Malaysia is expected to have gradual recovery in domestic economic activities in 2021 on the effective roll out and distribution of COVID-19 vaccines, which would see continuous improvements in exports and a greater momentum in consumption and investment.

Strategic Growth Drivers

Four (4) strategic drivers chart the Group's path to achieve our vision to be a respected and synergistic corporation transforming lives for the better. These strategies focus on building resilience and driving sustainable growth to maximise shareholders' value whilst uplifting the lives of the communities and protecting the environment within our business operations. These strategies will enable us to weather upcoming challenges, take advantage of ensuing opportunities and execute our growth strategy over the long-term.

Strategic Diversification

As an integrated services provider with focus on our core business of water and wastewater engineering construction, the Group recognises the importance of diversification to enhance long-term business growth, competitiveness and profitability.

In pursuing a conglomerate diversification strategy, the Group has enhanced our portfolio diversification into technology services, transportation, property development and other businesses with the objective of broadening our income stream and enhance long-term shareholders' value. During the year under review, we continue to build our profile in the market to position ourselves to successfully seize opportunities as they arise.

FY2020 DEVELOPMENTS

- Diversified into **glove manufacturing** to acquire 51% stake in JR Engineering and Medical Technologies Sdn Bhd with a profit guarantee of RM10 million per annum for the financial year 2021, 2022 and 2023.
- Entered into Solar Power Purchase Agreements with HeveaPac Sdn Bhd for the installation of Solar PV system to strengthen our position in **Renewable Energy ("RE") sector**.

FY2021 PRIORITIES

- Embark on **catalytic partnership** with **healthcare providers** both locally and overseas.
- Establish **strategic collaboration** with **government, partners and stakeholder.**

➤ *Salcon diversifies into glove manufacturing in partnership with JR Engineering and Medical Technologies (M) Sdn Bhd*

Driving Technology & Innovation

As the business grow and processes become more complex, the Group is cognizant of the need to transform and adopt technology and innovation to stay ahead. Our collaboration with Wide Plus Smart City Sdn Bhd marks an important milestone to embark on smart meter technology implementation to deliver better customer service experience. The Group also seeks to enhance its operational and performance efficiency through technology advancement within the management and operation system.

The Group, via its joint-venture company, Volksbahn Technologies Sdn Bhd ("VBT") provides enhanced connectivity and digital services in the Klang Valley through the laying of fibre optic cables along the LRT and monorail lines. The Group will continue to explore with other telecommunication operators to leverage its fiber network for the deployment of 5G coverage and establish a strategic collaboration for new developments along the LRT lines.

FY2020 DEVELOPMENTS

- Joint-venture with Hong Kong's The One Smart City Development Ltd (TOSC) via its subsidiary Wide Plus Smart City Sdn Bhd (WP) to market and deploy **smart water systems** in Malaysia.
- Embarked on technology & innovation to provide end-to-end water management solutions throughout a smart water system supported by **Internet of Things (IoT) solutions** for remote meter reading, water quality, pressure and level monitoring and leakage detection.

FY2021 PRIORITIES

- Improve **internal processes** and **operational efficiencies**.
- Set up **technology and innovation committee**.
- Enhancement of **process control** in business operation.

Cost & Operational Efficiency

We improved operational efficiencies by reducing our operating expenses, improving the delivery and monitoring of our procurement & supply chain and strengthening our project management practices to ensure cost optimisation. Recognising the direct impact of COVID-19 pandemic on our business, the Group also undertook various austerity measures including salary reduction across the board ranging between 10% to 35%.

FY2020 DEVELOPMENTS

- Reduced operating expenses by **RM16 million**.
- Increased cash and cash equivalents by **RM21.5 million**.

FY2021 PRIORITIES

- Optimise **working capital**.
- Improve procurement to drive sustainable savings, including **strategic sourcing** and **negotiations for secured projects/products.**
- Review **overhead cost management**.

Improve Organisational Effectiveness

An organisation is only as effective as the people who run them. As such, the Group is committed to create a workplace that values diversity and attracts and retains the right people to help grow our business.

The Group also recognises the importance of embedding sustainability within the organisation. Our value creation model takes into consideration all resources, capitals and relationships to achieve our goals of creating long term value for all our stakeholders.

FY2020 DEVELOPMENTS

- **Improved staff benefits package** under Salcon's Employee Handbook (HRPP).
- **Shared value creation model** to guide and optimise the opportunities and create sustainable growth for our stakeholders.
- **6th consecutive year** recognised under FTSE4Good Bursa Malaysia Index with improved ratings.

FY2021 PRIORITIES

- Enhance **people management & working culture**.
- Improve talent attraction, talent retention and career development by developing a **performance-driven culture**.
- Embedding **a culture of sustainability** into our business planning and operation.

OPERATIONS REVIEW

A review of the Group's business operations for the FY2020 is reported below.

Engineering & Construction Division

KEY DEVELOPMENTS IN FY2020:

Water

- Completion Stream A & B of Langat 2 Water Treatment Plant (Package 2A), with a production capacity of **1,130 MLD for distribution to residents in the Klang Valley.**
- Completion of **rehabilitation and upgrading system project** of Haiphong Water Supply System in Vietnam.

Wastewater

- Completion of the remedial work of existing vacuum sewerage system at **KXG 708 & KXG 722 catchments in Bandar Botanic, Klang** and handed over to Gamuda Land (Botanic) Sdn Bhd.

➤ *The rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam was successfully completed and handed over in November 2020*

Operational Highlights

Under the Engineering & Construction division, the business activities of water and wastewater engineering and construction are driven by the Group's subsidiaries, Salcon Engineering Berhad ("SEB") and Envitech Sdn Bhd ("Envitech").

During the year under review, SEB together with its joint venture partners successfully completed the testing & commissioning ("T&C") of Section 2 (Stream A) of Langat 2 Water Treatment Plant on 21 August 2020 despite the work interruption with limited workforce due to the implementation of MCO by government on 18 March 2020. The project has been officially handed over to our client, Pengurusan Aset Air Berhad (PAAB). The successful completion of the Langat 2 Water Treatment plant benefits 1.8 million users and will provide an additional 1,130 million litres per day ("MLD") to residents in the Klang Valley.

In Vietnam, the rehabilitation and upgrading project of Haiphong Water Supply System was successfully completed and handed over to our client, Haiphong Water Joint Stock Company on 25 November 2020. The project encompass the rehabilitation/ upgrading of An Duong Water Treatment Plant from 100 MLD to 200 MLD which will increase water supply to Hai Phong, the third largest city in Vietnam, located about 100km from capital Hanoi.

Overview of Raw Water Intake at Pulau Bahagia, which forms part of Kuala Terangganu Utara Water Supply Scheme

Current major projects on hand are as follows:

Malaysia

1) Langat Centralised Sewage Treatment Plant has physically been completed. The T&C of liquid stream was successfully completed in November 2020 and Operation & Maintenance ("O&M") has commenced immediately and scheduled for handover in November 2022. The T&C of solid stream is underway and expected to be completed by May 2021.

2) Network Pumping Stations for Langat Centralised Sewage Treatment Plant and Sewage Network which achieved physical completion of 95%.

3) Kuala Terengganu Utara ("KTU") Water Supply Scheme, which achieved overall progress of 69% and is expected to be completed by 2022.

4) Capacity expansion for the Telibong II Water Treatment Plant in Tamparuli, Sabah, which achieved physical progress of 16%.

5) Langat 2 Package 15(4) pipeworks which achieved 10% completion.

6) O&M of Customer Call Center, Monitoring & Maintaining District Meter Zones, Meter Reading and Billing for Sandakan Water Department, Sabah with a contract period of 5 years ending in 2024.

Overseas

1) Design and building of Ambathale Stormwater Pumping Station in Sri Lanka, which achieved 80% completion and is expected to be completed in February 2021.

In terms of securing new water tenders, the performance of the division

The design and building of Ambathale Stormwater Pumping Station is expected to be completed in 2021 in FY2020 was relatively lacklustre as there were minimal contracts tendered out or deferred in the wake of the COVID-19 pandemic. On the wastewater side, Envitech managed to secure more than RM38 million worth of new contracts locally. Some of the major projects are:

1) RM12 million contract bagged from 368 Segambut Sdn Bhd (IJM) for construction of integrated drainage network, upgrading network pumping stations and external infrastructure works.

2) RM7 million contract from Sinerjuta Sdn Bhd for external sewer reticulation and pipe jacking works in Bandar Tun Razak, Kuala Lumpur.

3) RM6 million contract from Medan Prestasi Sdn Bhd for proposed upgrading works (design, build, testing, commissioning and maintenance) of existing sewage treatment plant and network pumping station.

Looking Forward

The government, via Ministry of Environment and Water ("KASA"), continues to make huge investments in the water & wastewater sector. Under the 12 Malaysia Plan (12MP) which covers a period of 5 years from year 2021 to 2025, a total of RM15.6 billion is expected to be set aside to strengthen the country's water supply system and infrastructure, and for the exploration of new water resources in the country. Additionally, KASA targets to reduce the non-revenue water ("NRW") from the current 36.8% to 30% in 2025 and 25% by 2030.

In Selangor, Suruhanjaya Perkhidmatan Air Negara (SPAN) has approved Air Selangor Sdn Bhd's business plan, which entails the state-controlled entity undertaking a capital expenditure of RM35.4 billion over the next 30 years. Approximately RM13.4 billion will be utilised to improve asset reliability and resilience, with a number of water treatment plants slated to be built including the RM4.33 billion, 700 MLD Rasau Stage 1, which will deliver water to the Klang region and is targeted to be operational by 2024.

In the wake of the COVID-19 vaccines roll-out, the Group looks to recommence travelling to its traditional markets overseas ie Sri Lanka, Vietnam and Thailand to engage and re-connect with our clients and to follow-up on projects tendered in the previous year in these countries.

Looking ahead, the Group is cautiously optimistic with water and wastewater market outlook, and will leverage on its track record and technological know-how to provide clean water and wastewater solutions. As at 31 December 2020, the Group's order book stood at RM1.4 billion, comprising water and wastewater projects, both locally and overseas with RM301 million balance of works to be carried out. This will keep the Group busy over the next 1-2 years.

Property Development Division

KEY DEVELOPMENTS IN FY2020:

All **280 units residential** & **24 commercial units** of rés280, Selayang was fully sold out.

Operational Highlights

Despite the subdued property market, the remaining units of the rés280 Selayang project was fully sold out in FY2020.

The Group is currently reviewing suitable development proposals for its other property development projects in Johor and Kuala Lumpur. In Johor, the impending implementation of Rapid Transit System Link (RTS Link) between Johor & Singapore will be a catalyst for further development and boost economic activities in the surrounding areas. With such positive sentiments, the division is looking to factor in and harness this opportunity into the planning development of the land in Johor which is strategically located within the Iskandar Malaysia. As for the land located in Belfield, Kuala Lumpur, the Group foresees high potential in this area due to its proximity to Kuala Lumpur 118 tower and will review a suitable development strategy to cater to market needs.

Looking Forward

The Group expects to see an improved property market when the vaccination for COVID-19 is substantially completed by the end of 2021 and the pandemic contained in the country. The government has also provided various stimulus initiatives such as reintroduction of the Home Ownership Campaign (HOC), which features stamp duty exemptions and the lifting of the margin of financing limit for the third housing loan onwards for property valued at RM600,000 and above. Additionally, real property gains tax exemption unveiled in the short-term Economic Recovery Plan (Penjana) and lower overnight policy rate from BNM will help to boost market confidence.

Trading & Services Division

Transportation

KEY DEVELOPMENTS IN FY2020:

Commencement of the **Senstrac Tracking Device System** rollout to Analogue Device ADI and Paramit in Penang.

Operational Highlights

The transportation division spearheaded by Eco-Coach & Tours (M) Sdn. Bhd ("ECT"), operates a total of 142 vans, 45 coaches, 39 MPV, 11 limo vehicles and employs 237 drivers to provide transportation services for its clients which include multinational companies such as Intel, Paramit and Analogue Device ADI.

Although there were delays in the implementation of the Senstrac tracking device system, ECT has since commenced rolling out the system to Analogue Device ADI and Paramit in Penang.

The division through its subsidiary, Green Fleet Sdn Bhd ("GF") provides inbound and outbound logistics for transporting palm oil and soy oil product to PGEO Edible Oils Sdn Bhd (Lumut), Soon Soon Oilmills Sdn Bhd (Westport) and Soon Soon Oilmills Sdn Bhd (Prai) in Central and Northern region of Peninsular Malaysia. GF currently operates 10 units of steel tankers.

Looking Forward

Moving forward, the division intends to focus on sales and marketing of its Passenger Transport & Tracking System ("PTTS"), a total transportation system for vehicle and driver rostering for the daily commute of targeted users such as company employees, students, hospital staff and tourists. PTTS is a unique transportation system which simplifies planning to enable a more efficient and cost savings operational model.

➤ *Senstrac, an integrated management platform for real-time human resource mobility and transport tracking system*

Technology Services

KEY DEVELOPMENTS IN FY2020:

Total **169 number of cell sites** have been identified and fiberized, an additional **21 cell sites and backhaul for mobile operator delivered in FY2020**.

Operational Highlights

During the year under review, the Technology Services Division, spearheaded by Volksbahn Technologies Sdn Bhd ("VBT") delivered and fiberized an additional 21 cell sites at the LRT stations resulting in the increase of site rental income for shared infrastructure as well as bandwidth charges. Currently, the mobile operators which have already signed up with VBT include U Mobile Sdn Bhd, Celcom Axiata Berhad, Digi Telecommunications Sdn Bhd, Webe Digital Sdn Bhd, Maxis Berhad, NTT Ltd, X86, Symphonet Sdn Bhd, VC Telecoms and Fiberail Sdn Bhd. Two new mobile operators which are Fibrecomm Network (M) Sdn Bhd and Extreme Broadband Sdn. Bhd. signed up with VBT in FY2020.

Besides providing backhaul services to financial institutions, VBT also collaborates with service providers to provide their broadband services to retailers through VBT's fibre optic backbone. As a carrier neutral party, VBT enters into strategic partnerships to secure buildings and property developments along the LRT lines for retails services in order to generate additional income streams.

Looking Forward

VBT's performance is underpinned by strong demand from the various telecommunications companies to provide fast and reliable bandwidth services to their users. The demand will be boosted by the government's initiatives to strengthen telecommunication connectivity in the country. In February 2021, the Malaysian Communications and Multimedia Commission (MCMC) has announced its intention to speed up the deployment of the fifth generation technology standard for broadband cellular network (5G) through the government's special purpose vehicle (SPV) that will receive the 5G spectra, as well as build, operate and lease 5G infrastructure to new and existing telcos by the end of 2021.

VBT is well-positioned to leverage on its fiber optic network which runs through the most densely populated and highly commercial areas in the Klang valley for the deployment of 5G coverage through collaborations with mobile operators.

In continuing to explore and optimise the opportunity, the division is going the extra mile by looking into deployment of smart multi-functional poles across Klang Valley/Selangor to create a smarter and greener city in collaboration with the State Government and Local Authorities.

➤ *A 30 meter cell site owned by VBT delivered at Cempaka LRT Station*

Renewable Energy

KEY DEVELOPMENTS IN FY2020:

Signed **3 Solar Power Purchase Agreements** to design and install rooftop solar photovoltaic ("Solar PV") system with **capacity of 1.48 MWp** in Malaysia.

Operational Highlights

One of the Group's subsidiary, Satria Megajuta Sdn Bhd (Satria) entered into three (3) Solar Power Purchase Agreements with HeveaPac Sdn Bhd ("HeveaPac"), a wholly-owned subsidiary of HeveaBoard Berhad, one of the largest laminated particleboard shelving furniture producer in Asia, to build, own and operate a combined capacity of 1.48 MWp rooftop solar photovoltaic ("Solar PV") systems on HeveaPac's roof.

It is expected to be fully operational by the first half of 2021, aiming to produce approximately 1.8 million kWh of green energy per year. This will reduce annual CO2 emissions by an average of 1,210 tonnes or 30,248 tonnes for the entire tenure of the Solar Power Purchase Agreements. This is equivalent to powering 654 households in Malaysia in a year.

In the UK, the Group, via Salcon Power (HK) Limited write off 50 units of Solar PV to ACP Solar Limited in FY2020 and continues to operate the balance 409 units of Solar PV generating systems with a capacity of 1,245.3 KW or approximately 1.2 MW.

Looking Forward

The Group looks to further expand into the green energy solutions sector by partnering with Multi-National Corporations (MNCs) and local leaders across various industries looking to reduce their electricity cost in their daily business operations.

PERFORMANCE REVIEW

Group Financial Performance

RM'000	2020	2019	Var
REVENUE	**194,148**	191,292	1%
LOSS BEFORE TAX	**(8,750)**	(7,331)	-19%
NET LOSS	**(8,057)**	(8,967)	10%

The Group achieved a total revenue of RM194.1 million in FYE2020, compared to RM191.3 million in the preceding financial year, representing an increase of 1%. This was mainly due to higher revenue derived from Property Development Division as more units of rés280 were sold compared to FYE2019.

The Group recorded a higher pre-tax loss of RM8.8 million compared to RM7.3 million in the previous year due to losses and lower profit sharing of the joint ventures companies.

However, the Group reported a lower net loss of RM8.1 million in the current financial year, compared to the net loss of RM9.0 million reported in the previous year mainly due to the gain on disposal of 51% equity in Salcon Xinlian Group Limited which amounted to RM2 million.

Total Revenue
RM194.1
Million

Consolidated Cash Flow Analysis for FY2020

RM'000	2020	2019
Net cash (used in)/from operating activities	**(5,852)**	42,890
Net cash (used in)/generated from investing activities	**(9,044)**	8,225
Net cash generated from/(used in) financing activities	**31,675**	(35,103)
Effect of exchange rate fluctuations on cash held	**5,413**	(9,815)
Net increase in cash at year end	**16,779**	16,012
Cash and cash equivalents	**142,836**	121,344

Improved cash balance of RM142.8 million due to issuance of shares through private placement during FY2020, which has generated RM33.8 million for the company. It will serve as a strong foundation to fund the business operations as well as future investments.

Cash Balance
RM142.8
Million

Total Borrowings

	Borrowing due for repayment in		
RM'000	**<1 year**	**>1 year**	**Total**
Total borrowings	27,008	5,057	32,065

The Group has recorded borrowings of RM32.1 million as compared to RM24.1 million for corresponding period in the immediate preceding year. The increase in the borrowings was substantially attributed by receivable financing of a subsidiary amounting to RM17.81 million.

There were no bank borrowings denominated in foreign currencies as at the reporting date.

Capital Management

RM'000	2020	2019
Total borrowings	**32,065**	24,102
Lease liabilities	**2,818**	3,474
Less: Total cash and cash equivalents	**(142,836)**	(121,344)
Net borrowings	**(107,953)**	(93,768)
Owners' equity and non-controlling interests	**467,763**	449,225
Net gearing ratio (times)	**0.07**	0.06

The Group is committed to maintain a strong credit for its borrowings and healthy capital ratios in order to achieve optimal operation efficiency.

The net cash indicates that the Group is able to pay off its short and long term borrowings with more cash on hand than borrowings.

Consolidated Financial Position Analysis for FY2020

RM'000	2020	2019	Var
Non-current assets	**134,253**	137,776	-3%
Current assets	**459,994**	436,515	5%
Total assets	**594,247**	574,291	3%
Non-current liabilities	**12,382**	14,965	-17%
Current liabilities	**114,102**	110,101	4%
Total liability	**126,484**	125,066	1%
Owners'equity	**445,514**	428,236	4%
Current ratio (times)	**4.03**	3.96	2%
Net assets per share attributable to equity holders (RM)	**0.44**	0.51	-14%

Total assets

The Group's total assets recorded RM594.3 million, increased by 3% compared to RM574.3 million in FYE2019 mainly due to the higher cash balances at RM142.8 million.

Total liabilities

Total liabilities of the Group recorded RM126.5 million, increased by 1% compared to RM125.1 million mainly attributed to the increase in borrowings.

Owner's equity

Owner's equity increased by 4% to RM445.5 million as a result of share capital increased by RM33.8 million due to private placement of shares.

Current ratio

Current Ratio
4.03 TIMES

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity recorded at 4.03 times, increased by 2% compared to 3.96 times in FYE2019. The current ratio indicates that the Group has adequate liquidity to cover short-term obligations.

Dividend Payout

FY2020

The Company proposed a first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2020.

FY2019

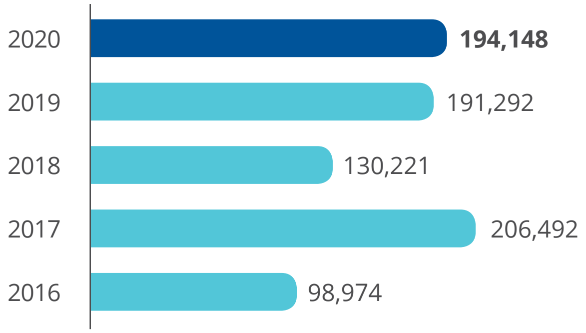
The Company paid the first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2019.

5-Year Financial Highlights

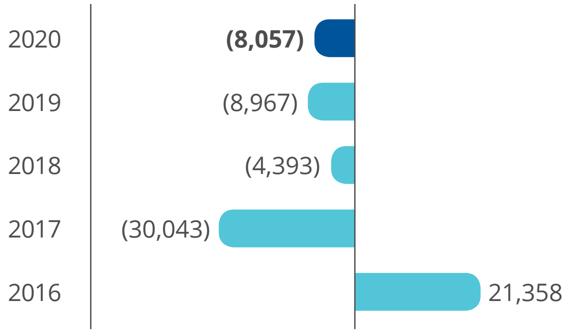
	Financial Year Ended December				
RM'000	**2020**	**2019**	**2018**	**2017**	**2016**
FINANCIAL RESULTS					
Revenue	**194,148**	191,292	130,221	206,492	98,974
Loss Before Tax	**(8,750)**	(7,331)	(1,562)	(34,785)	(11,687)
Net (Loss)/Profit	**(8,057)**	(8,967)	(4,393)	(30,043)	21,358
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	**142,836**	121,344	115,147	133,811	215,941
Total Assets	**594,247**	574,291	609,410	628,905	727,377
Total Liabilities	**126,484**	125,066	136,399	143,777	204,269
Total Borrowings	**32,065**	24,102	48,381	66,628	73,050
Share Capital (No. of shares)	**1,012,413**	847,113	847,113	677,694	677,694
Owners' Equity	**445,514**	428,236	451,161	458,157	483,982
Total Equity	**467,763**	449,225	473,011	485,128	523,108
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	**(0.70)**	(1.03)	0.25	(3.52)	1.81
Share Price at Year End (RM)	**0.260**	0.245	0.235	0.352	0.444
Price Earnings Ratio (times)	**(0.37)**	(0.24)	0.94	(0.10)	0.25
Return on Owners' Equity (%)	**(1.36)**	(2.02)	0.47	(5.20)	2.45
Return on Total Assets (%)	**(1.02)**	(1.51)	0.35	(3.79)	1.63
Dividend Payout to Earning Ratio (%)	**(106.08)**	(88.06)	31.44	(108.79)	89.09
Net Gearing Ratio (times)	**0.07**	0.06	0.11	0.15	0.15

5-Year Financial Highlights

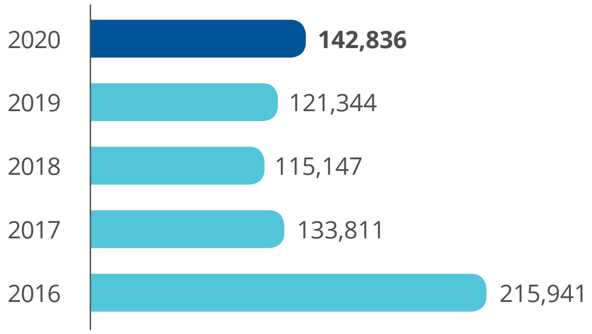
Revenue (RM'000)
194,148



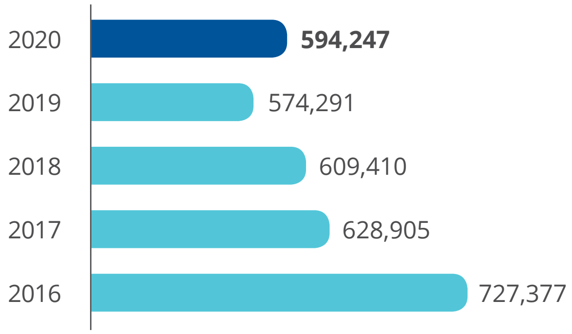
Net (Loss)/Profit (RM'000)
(8,057)



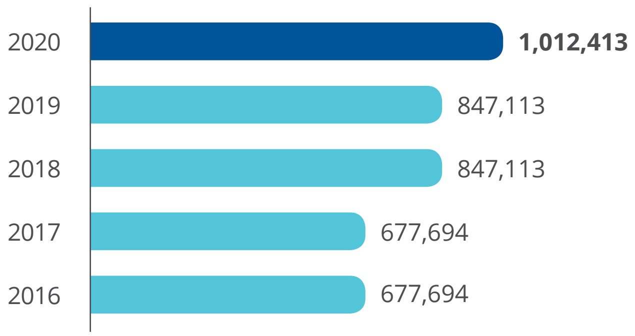
Total Cash & Cash Equivalents (RM'000)
142,836



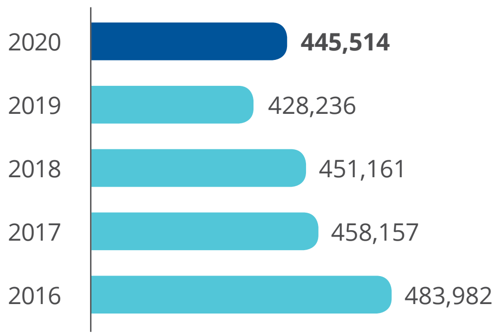
Total Assets (RM'000)
594,247



Share Capital (No. of shares) ('000)
1,012,413



Owners' Equity (RM'000)
445,514



Group Segmental Performance

	Financial Year Ended December				
RM'000	2020	2019	2018	2017	2016
GROUP REVENUE					
Engineering and Construction	**153,593**	163,455	103,125	83,860	83,101
Property Development	**23,763**	7,773	5,607	100,700	-
Trading & Services	**16,792**	19,181	20,008	20,361	14,348
Concessions	**-**	883	1,481	1,571	1,525
Revenue	**194,148**	191,292	130,221	206,492	98,974
GROUP (LOSS)/PROFIT BEFORE TAX					
Engineering and Construction	**(3,778)**	1,648	141	(11,366)	(444)
Property Development	**(4,861)**	(3,598)	(8,963)	(9,009)	(9,449)
Trading & Services	**(478)**	(7,719)	1,480	(20,680)	(7,619)
Concessions	**367**	2,338	5,780	6,270	5,825
Loss Before Tax	**(8,750)**	(7,331)	(1,562)	(34,785)	(11,687)
GROUP NET (LOSS)/PROFIT					
Engineering and Construction	**(4,741)**	(3)	(1,119)	(11,306)	(3,201)
Property Development	**(4,486)**	(3,857)	(8,970)	(5,746)	(11,483)
Trading & Services	**(885)**	(8,230)	523	(21,300)	(7,715)
Concessions	**367**	2,341	5,780	6,275	5,816
Discontinued Operations	**1,688**	782	(607)	2,034	37,941
Net (Loss)/Profit	**(8,057)**	(8,967)	(4,393)	(30,043)	21,358

Segmental Analysis

Engineering & Construction Division

During the financial year, the engineering and construction division delivered solid gains in revenue, remained the largest contributor in our operations, with a revenue of RM153.6 million which accounted for 79% of the Group's total revenue despite the widespread economic challenges and uncertainty due to the COVID-19 pandemic. However, there was a decrease in revenue by 6% from RM163.5 million in FYE2019 mainly due to the slower construction activities during the Recovery Movement Control Order (RMCO) imposed by the Government in FY2020.

Consequently, the division reported segmental loss before tax ("LBT") of RM3.8 million compared to profit before tax ("PBT") of RM1.6 million in the previous year due to higher cost incurred in delayed ongoing projects and losses from joint venture companies.

Engineering & Construction Division
Revenue
RM153.6 Million

Property Development Division

The division recorded a higher revenue of RM23.8 million, representing a 206% increase from RM7.77 million recorded in the previous financial year. However, LBT increased by 35% to RM4.9 million compared to RM3.6 million in FYE2019.

The losses for this division was mainly due to higher cost of sales in the current financial year.

Property Development Division
Revenue
RM23.8 Million

Trading and Services Division

Under the trading and services division, the Group highlighted the transportation and technology division which are the two key drivers of our business operations:-

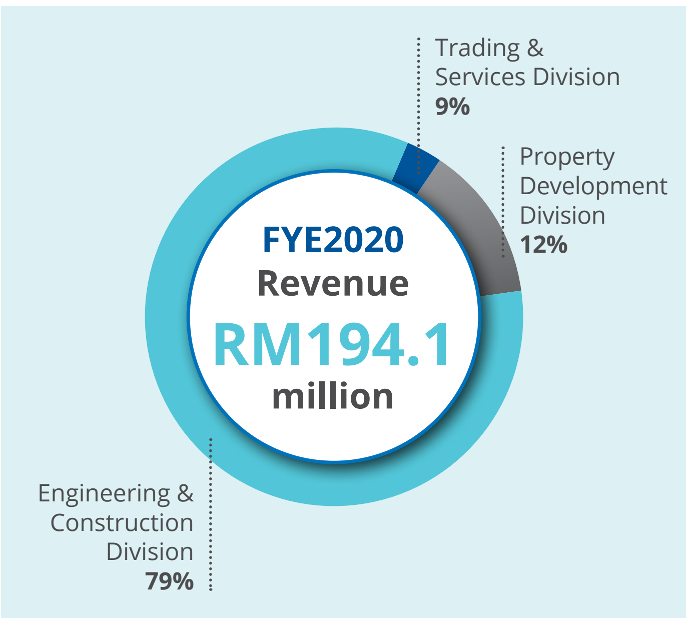
Transportation

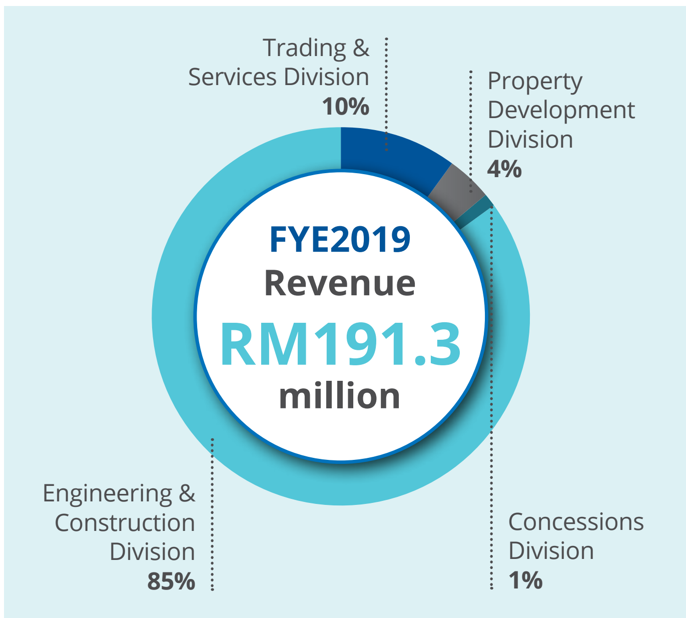
The transportation division posted a lower revenue of RM15.7 million in FYE2020, representing a decrease of 10% compared to the revenues of RM17.4 million in preceding year.

The division recorded a PBT of RM224,726 compared to RM198,640 in preceding year mainly due to lower operating expenses in the current financial year.

Technology Services

The technology services division spearheaded by the Volksbahn Technologies Sdn Bhd ("VBT") recorded revenue of RM14.2 million, an increase of 27% compared to RM11.2 million in the preceding year. This was due to the additional 21 cell sites delivered and fiberized at the stations in FY2020 resulting in the increase of site rental income and bandwidth charges. Consequently, the PBT rose from RM1.5 million to RM2.0 million.





Note: No revenue was recorded for concessions divisions in FY2020 due to the cessation of the operation of Binh An Water Treatment Plant.

Statement of Value Added and Distribution

The statement of value added shows the total wealth created by the Group and its distribution to stakeholders, with the balance retained in the Group for reinvestment and future growth.

RM'000	2020	2019
VALUE ADDED:		
Revenue	**194,148**	191,292
Purchases of goods & services	**(165,712)**	(174,342)
Value added by the Group	**28,436**	17,950
Share of (loss)/profit of associated companies and joint ventures	**(1,439)**	14,059
Total value added for distribution	**26,997**	**32,009**
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	**24,598**	28,677
To Governments		
- Taxation	**995**	2,419
To Rakyat		
- Community Investment	**143**	71
To providers of capital		
- Dividends	**6,436**	7,618
- Finance cost	**2,464**	3,320
- Non-controlling interest	**(1,990)**	(316)
Retained for future reinvestment & growth		
- Depreciation and amortization	**6,854**	6,489
- Retained loss	**(12,503)**	(16,269)
Total Distributed	**26,997**	**32,009**
RECONCILIATION :		
Net Loss for the year attributable equity holders	**(6,067)**	(8,651)
Add: Depreciation and amortization	**6,854**	6,489
Finance cost	**2,464**	3,320
Staff costs	**24,598**	28,677
Community Investment	**143**	71
Taxation	**995**	2,419
Non-controlling interest	**(1,990)**	(316)
Total Value Added	**26,997**	**32,009**

FINANCIAL CALENDAR

(For the Financial Year Ended 31 December 2020)

Dividend

First and Final Dividend via distribution of treasury shares 1:29 for the financial year ended 31 December 2019

Entitlement Date: 07 August 2020 | **Payment Date: 19 August 2020**

Announcement of Quarterly Results

1st Quarter Ended 31 March 2020: **23 June 2020**

2nd Quarter Ended 30 June 2020: **25 August 2020**

3rd Quarter Ended 30 September 2020: **23 November 2020**

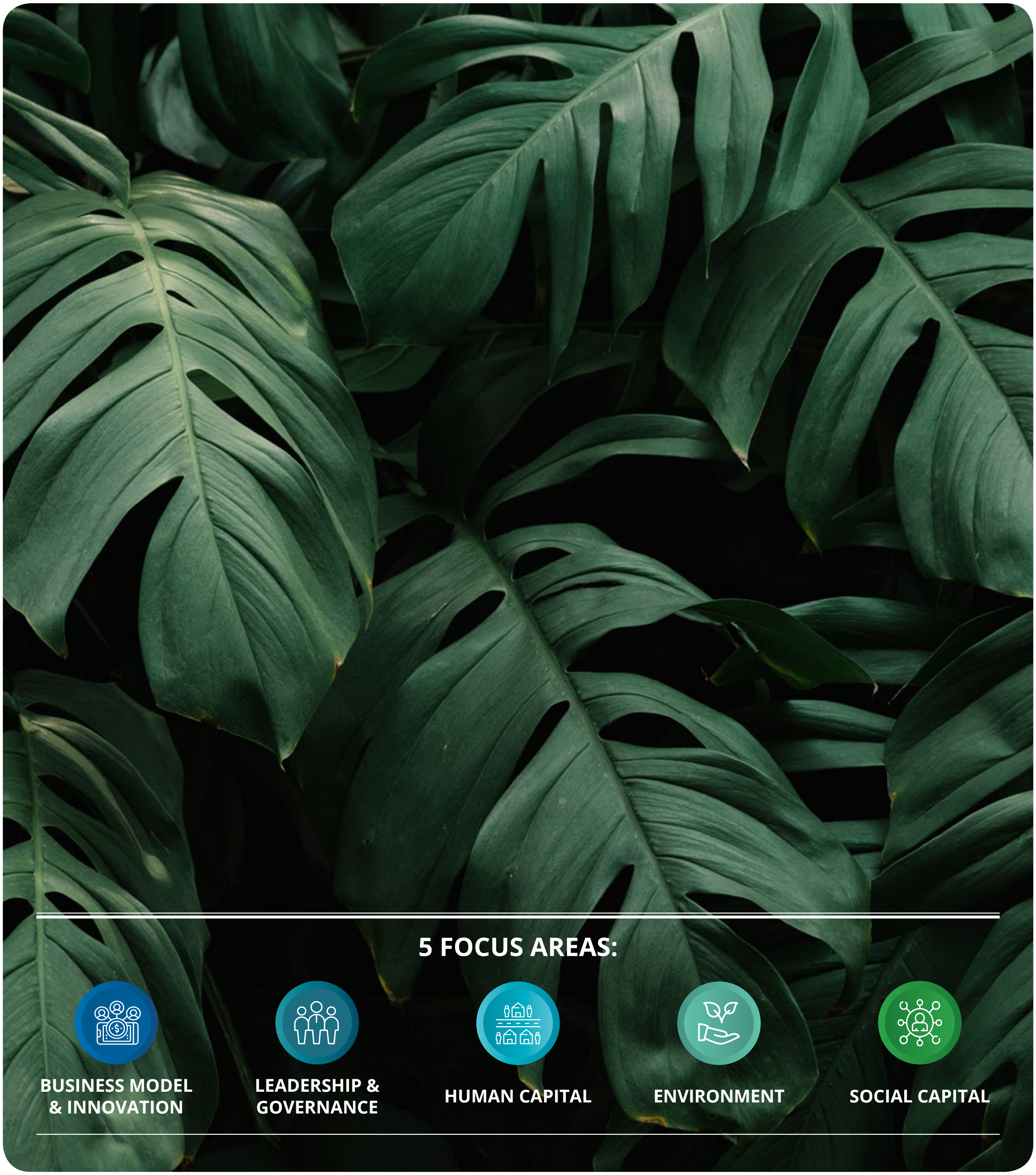
4th Quarter Ended 31 December 2020: **23 February 2021**

Annual General Meeting

Notice of Annual General Meeting
30 April 2021

18th Annual General Meeting
23 June 2021

SUSTAINABILITY STATEMENT



REPORT OVERVIEW

The Group is pleased to adopt the <IR> Framework by International Integrated Reporting Council ("IIRC") for the first time in the 14th annual reporting of our sustainability best practices. In line with the <IR> Framework, this report underscores our commitment to ensure holistic value creation for our stakeholders by managing and operating our input capitals in a responsible and sustainable manner as encapsulated in our value creation model.

This year, the Group undertook a robust Materiality Survey and Assessment involving internal and external stakeholders to identify and prioritize sustainability issues that could substantively affect our ability to create value for our key stakeholders in the short, medium and long term. By inter-relating the key material issues to the Group's overall business strategy and risk management process, the Group is better placed to inform investors, regulators and other stakeholders on our environmental, social and governance impacts, risks and opportunities.

We look forward to continue our sustainability journey by constantly benchmarking our sustainability efforts against global reporting frameworks and local guidelines; which has allowed us to anticipate emerging issues, meet sustainability reporting expectations, strengthen sustainability communications as well as provide a basis for development of performance measures.

Reporting Period

Reporting period: 1 January 2020 – 31 December 2020

Reporting Scope

This Sustainability Report covers the overall Economic, Environmental, Social & Governance (EESG) performance of the operating businesses of the Group, namely the Water & Wastewater Treatment, Property Development, Transportation, Technology Services with operations in Malaysia and Sri Lanka.

1. Salcon Engineering Berhad (Water Engineering)
2. Envitech Sdn Bhd (Wastewater Engineering)
3. Eco-Coach & Tours (M) Sdn Bhd (Transportation)
4. Volksbahn Technologies Sdn Bhd (Technology Services)
5. Azitin Venture Sdn Bhd (Property Development)
6. Salcon Petroleum Services Sdn Bhd (Oil & Gas Software Marketing)

Guidelines & References

The preparation of this report is guided by the following guidelines:

Principal Guidelines	Bursa Malaysia Sustainability Reporting Guidelines 2nd Edition
	Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations
	<IR> Framework by International Integrated Reporting Council ("IIRC")
Supplementary Guidelines	FTSE4Good Bursa Malaysia Index Rating Guide
	Global Reporting Initiative ("GRI") Standards
	AA1000 Stakeholder Engagement Standards 2015
Commitment	Sustainability Development Goals ("SDGs")
	United Nations Global Compact ("UNGC") Principles

Accessibility & Feedback

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

We welcome any feedback or suggestion about our sustainability performance. Please address any comments you may have to the Sustainability Committee at corporate@salcon.com.my.

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT SALCON

In line with our vision to be a respected and synergistic corporation transforming lives for the better, we are committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in; whilst upholding our mission of providing top quality products and services.

By integrating economic, environmental and social considerations into our corporate value creation strategies and performance, we are committed to create inclusive and sustainable value over the long-term.

Awards & Recognitions

Asia Sustainability Reporting Award –
Asia's Best Sustainability Report Award (SME)
Bronze

FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index for the 6th consecutive year

GOVERNANCE STRUCTURE

The sustainability governance structure at Salcon is committed to ensuring that the right executive leadership, strategies and internal controls are in place to embed sustainability practices across the organisation, manage goal-setting as well as ensure overall accountability and reporting.

This year, the Group streamlined the governance structure to formally include the heads and representitives from the Group's 4 business units i.e Envitech Sdn Bhd (Envitech), Volksbahn Technologies Sdn Bhd (VBT), Azitin Venture Sdn Bhd and Eco-Coach & Tours (M) Sdn Bhd (ECT) into the Sustainability Working Group (SWG). Having a cross-functional SWG that engages leadership across business units, regions and functions will provide further oversight whilst encouraging cross-organisational communication and engagement to implement the Group's sustainability strategies.

The sustainability operating model consists of 3 layers as below:

01 Governance

The Salcon Board of Directors oversees the Group's sustainability strategies and performance. They are supported by the Sustainability Committee (SC).

02 Leadership

Chaired by Dato' Rosli bin Mohamed Nor (Independent Non-Executive Director), the Sustainability Committee (SC) which meets at least once a year is represented by 2 Board Directors and 3 members of senior management of the Group. The SC's key responsibilities are as follows:

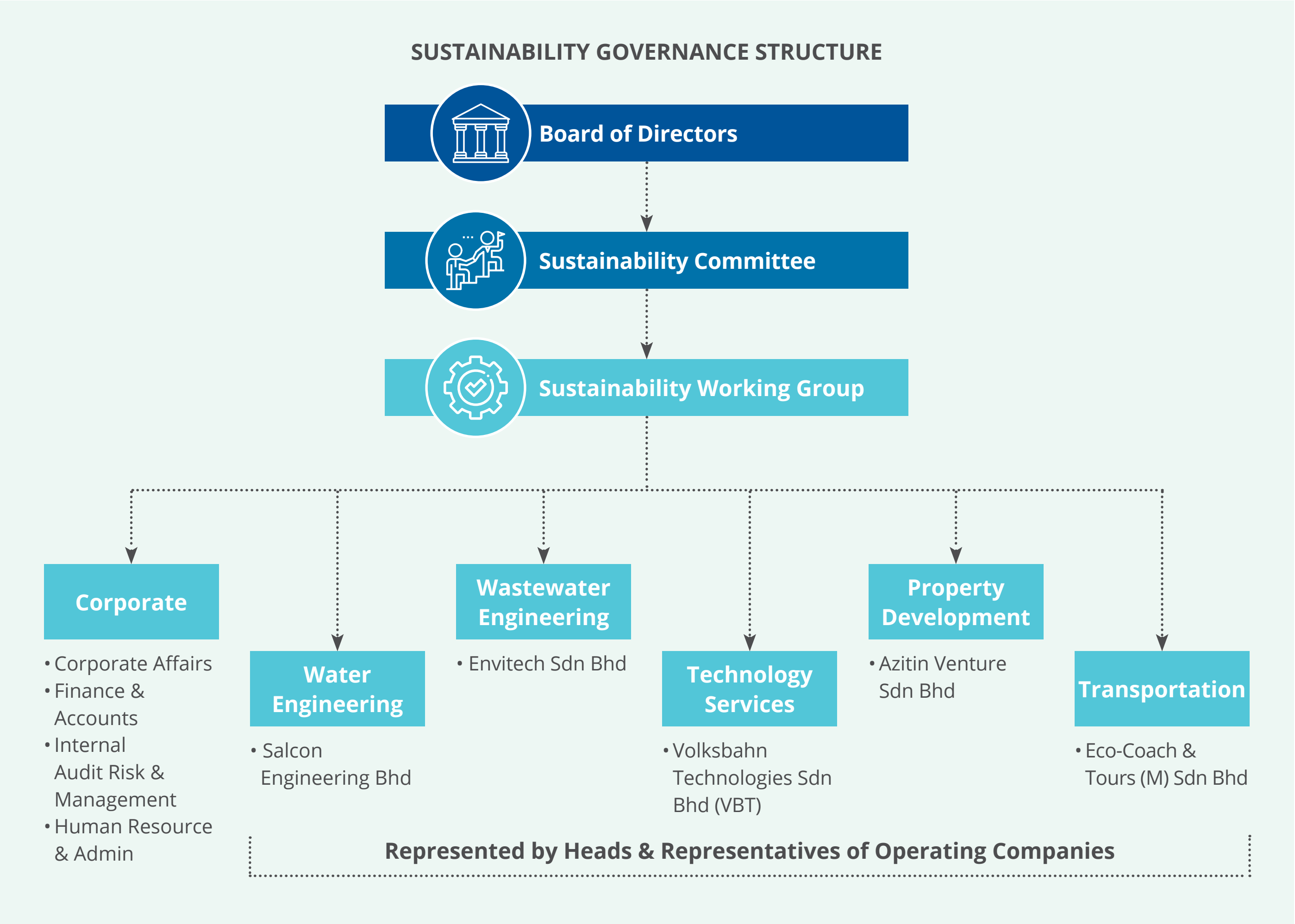
- Driving the integration of sustainability strategy into the Group's business plans
- Monitoring, reviewing and evaluating sustainability performance
- Oversee the sustainability risk and opportunities from our business activities and ensure the implementation of appropriate policies, procedures and controls
- Embed and integrate sustainability in Salcon as part of the business strategy

03 Execution

Cross functional team with the formal inclusion of 4 business units in FY2020 are pulled together to lead and execute sustainability practices within the Group namely the Sustainability Working Group (SWG). They are responsible in maintaining and enhancing the Group's economic, environment, social & technology capital in short, medium and long term.

The team's key role is to effectively manage the sustainability risks in:

- Financial management & profitability
- Sound environmental and social practices
- Transparency and accountability
- Health and safety
- Relationships with employees, communities and other stakeholders; and
- Ethical, elements affecting or relevant to the Group's business or operations



STAKEHOLDERS ENGAGEMENT

The Group engaged with internal and external stakeholders including customers, suppliers and investors to get their direct feedback through face-to-face meetings, where possible, as well as an online survey questionnaire during a materiality assessment conducted in FY2020. Their feedback was then analyzed, mapped and prioritized based on each stakeholders' expectation, and actions are defined grounded on their feedback. Please refer to the Materiality section of this report.

Based on the results of the Materiality Survey & Assessment, our stakeholders key needs and expectations were identified and analysed. Our engagement approach and values created for the respective stakeholder groups are as tabled in the next page.

SUSTAINABILITY STATEMENT

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
Employees	• Occupational health & safety • Employee activities/events	• Occupational safety & health	• Safety & Health Campaign	Annually	• Safe and healthy working environment with better productivity	64
	• Salaries & benefits/well-being • Career enhancement	• Training & development	• Training opportunities	As needed	• Enhanced skills for improved work efficiency	61
		• Talent attraction & retention	• Employee performance review & rewards • Employee entitlements & benefits	As needed	• Recognising our employees' contributions	60
		• Workplace well-being	• Festive celebrations	As appropriate	• Fostering positive relationships amongst colleagues	62
			• Company Facebook page	As needed	• Up-to-date information on the company's direction/ news	53
			• Internal newsletter	As needed		
			• Wok-life balance activities	As needed	• Fun activities in the office to foster good work-life balance	61
Shareholders/ Investors	• Economic and financial performance • Dividend and growth prospect • Sustainability performance	• Business model resilience • Financial performance & profitability	• Analysts/ bankers/fund managers meeting	As needed	• Analyst presentations with positive feedback on information shared • Return on investment	53
			• Annual General Meeting	Annually	• Platform to share the company's economic performance, business direction and strategies with our shareholders • Rewarding our shareholders through dividend payment.	20

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
Clients/ Customers	• Timely delivery • Quality works/ services • Innovative solutions • Pricing of product/services	• Project delivery	• Client satisfaction survey • Regular project meetings	Annually	• Project delivery within timeline and budget	54
			• Customers services (at billing services center in Sandakan office)	Daily (working day)	• Fast and prompt attention to customer needs at billing services center	54
Regulators/ Government Authorities	• Governance & Compliance • Business Ethics & Integrity	• Corporate governance • Anti-corruption • Ethics & integrity • GHG emission & climate change	• Full compliance with Bursa Malaysia, Security Commissions and Quality Management (ISO 9001) policies and guidelines	As needed	• Create reputable branding as well as keeping track with the current market regulations	53
			• Environmental compliance at project sites	As needed	• Biodiversity conservation at project sites and create minimal carbon footprint • Effective resources management • Better awareness on environmental issues and compliance knowledge among employees	67
Business Partners/ Associate partners	• Strategic business planning • Long-term business relationships	• Business Model Resilience • Project delivery • Financial management & profitability	• Strategic business planning meetings	As needed	• Improve business and economic performance • Forge long term bond	53

SUSTAINABILITY STATEMENT

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
Local Community	• Socioeconomic development • Safety & Health • Impact of operation on community and environment • Employment opportunities	• Community engagement • Local employment • Community investment & development	• Charitable giving	As needed	• Build positive relationships with the community and attend to their needs	81
			• Internship opportunities	As needed	• Real corporate world exposure for students	82
			• Salcon Water Genius Challenge	As needed	• Raising awareness of water issues and reduce water consumption	80
			• Local employment	As needed	• Creation of job opportunities for local communities at project sites	82
Suppliers/ Sub-contractors	• Pricing and good payment practices • Long-term working relationship	• Supply chain management • Ethics & Integrity • Corporate governance • Anti-corruption	• Suppliers & sub-contractors evaluation	Annually	• Performance monitoring and Improve efficiency throughout supply chain	55
			• Tender & bidding/ quotation requests	As needed	• Share the same ethical procurement values	54
			• Procurement policies & system	As needed		54
Media	• Long-term relationship building • Impact to the communities	• Branding & reputation	• Media releases	As needed	• Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	53
			• One on One interviews	As needed		53

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
Non-Governmental Organisations (NGOs)	• Sustainability performance • Impact to the environment and communities	• Community investment & development • Community engagement • GHG emission & climate change • Human rights	• Partnership and support in community and environmental sustainability • Support NGOs	As needed	• Mutual understanding on sustainable environmental and social growth as well as biodiversity conservation • River & water conservation and education for community	70
Industry Associations	• Building good relationship with industry peers	• Branding & reputation	• Industry exhibitions and conferences	As needed	• Keeping track with industry updates • Foster good relationships with industry peers	53
			• Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA)	As needed		53

MATERIALITY

In FY2020, the Group undertook its 2nd Materiality Survey & Assessment having undertaken the first one in FY 2017. The new Materility Matrix is a result of a materiality assessment process which involves identifying the latest trends in sustainability, defining key needs and requirements of stakeholders, integrating the expectations of stakeholders within the activities of the Group and identifying the most significant sustainability issues for our business.

Methodology

The materiality assessment process is conducted in accordance with Bursa Malaysia Sustainability Reporting Guidelines and guided by the GRI Framework, <IR> Framework and SASB materiality map to better disclose the information about the material matters that affect the Group's ability to create values for our stakeholders.

01 Identification & Review of Material Issues from Internal & External Sources

A total of 32 material topics were identified from initial consultation and a review of existing literature to determine the relevance and significance of issues through internal and external sources:

a. Internal Sources: Internal Data, Materiality Survey, Stakeholder Prioritization
b. External Sources: Materiality Survey, rating & FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide, TCFD Recommendations, SASB materiality map, media reporting, analyst reports, external peer review, clients survey and industry news.

02 Prioritization – Online Survey and Review by The Sustainability Working Group (SWG)

An online quantitative survey on the 32 material topics was conducted, involving 348 Salcon employees, more than 500 professional stakeholders and 49 key customers. The material topics were then consolidated into 17 material issues and ranked through a scoring methodology to weigh and prioritize the input from the various stakeholders.

Meetings and consultations were held with the SWG and relevant committees to review the Group's material issues to ensure that they are relevant and reflective of our stakeholders' priorities and aspirations. The SWG collectively reviewed and gauged the material issues which are material to our business from both the Group and stakeholders' perspective. Based on this, 12 key material issues which emerged as the most material were mapped onto a matrix to help visualize their relative importance to the Group and our stakeholders.

The result of this review is further elaborated under 'Materiality Analysis' on page 49.

03 Validation – Presentation to the Sustainability Committee (SC)

The outcome of the materiality matrix review and analysis by the SWG was then presented to the Sustainability Committee for validation and approval with recommendations on key measures and targets as reported from page 49-51 in relation to each key material issue.

The process of our materiality analysis is shown in the diagram below:

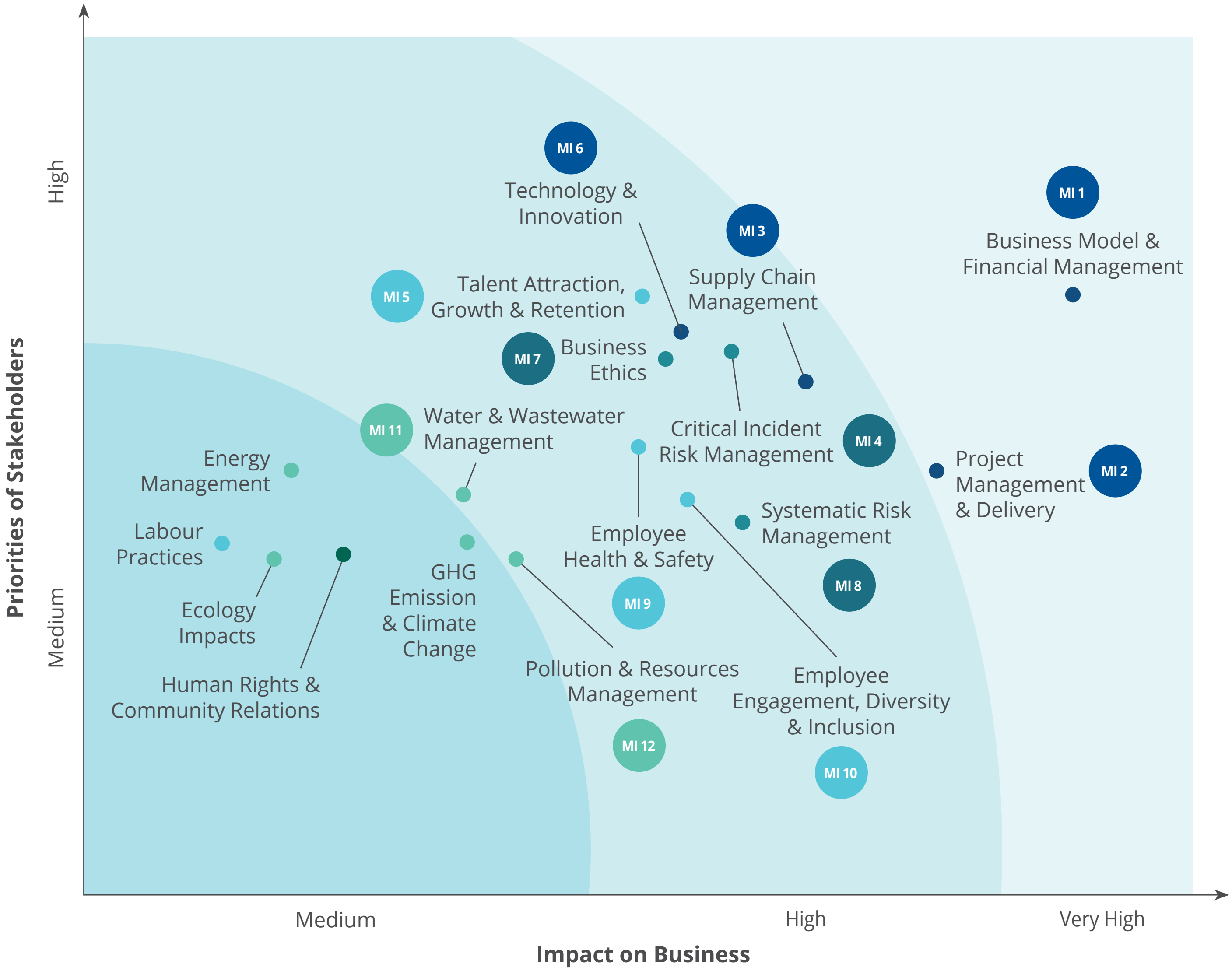
32 Material Topics → **17 Material Issues** → **12 Key Material Issues** → **5 Focus Areas**

Focus Areas (5)	No.	Topics (32)	Issues (17)
BUSINESS MODEL & INNOVATION	1	Business Model Resilience	Business Model & Financial Performance
	2	Financial Management & Profitability	
	3	Branding & Reputation	
	4	Technology & Innovation	Technology & Innovation
	5	Supply Chain Management	Supply Chain Management
	6	Project Delivery	Project Management & Delivery
	7	Client Satisfaction	
LEADERSHIP & GOVERNANCE	8	Corporate Governance	Business Ethics
	9	Ethics & Integrity	
	10	Anti-corruption	
	11	Crisis Management	Critical Incident Risk Management
	12	Risk Management	Systematic Risk Management
HUMAN CAPITAL	13	Grievance Mechanisms	Labour Practices
	14	Occupational Safety & Health	Employee Health & Safety
	15	Training & Development	Talent Attraction, Growth & Retention
	16	Talent Attraction & Retention	
	17	Equal Opportunities & Diversity	Employee Engagement, Diversity & Inclusion
	18	Workplace Well-being	
ENVIRONMENT	19	Carbon Emission	GHG Emission & Climate Change
	20	Environmental Compliance	
	21	Energy Management	Energy Management
	22	Water Use & Management	Water & Wastewater Management
	23	Wastewater Use & Management	
	24	Biodiversity	Ecological Impacts
	25	Air Quality	Pollution & Resources Management
	26	Noise	
	27	Raw Material Used	
	28	Hazardous Waste Management	
SOCIAL CAPITAL	29	Human Rights	Human Rights & Community Relations
	30	Community Investment & Development	
	31	Local Employment	
	32	Community Engagement	

SUSTAINABILITY STATEMENT

Materiality Matrix

The Materiality Matrix plots the Group's material issues (MI) in two dimensions: (1) Impact to the business and (2) Priorities of stakeholders. The material issues identified are categorised into our 5 focus areas ie Business Model & Innovation, Leadership & Governance, Human Capital, Environment & Social Capital.



Focus Areas

Materiality Analysis

The table below describes the Group's key material issues, captures emerging risks & opportunities, targets and mitigation measures across the business for the twelve (12) material issues and their relationships within the five focus areas of the Group i.e. Business Model & Innovation, Leadership & Governance, Human Capital, Environment & Social Capital, which forms a foundation of our values creation framework for our stakeholders.

The Group also reviewed how these key material issues are aligned with the Sustainable Development Goals (SDG) and the United Nations Global Compact (UNGC) principles, finding that its efforts align most closely with the goals on Good Health & Well-being, *Quality Education, Gender Equality, Clean Water and Sanitation, Decent Work and Economic Growth, Industry, Innovation Infrastructure, Reduce Inequalities, Responsible Consumption and Protection, Peace, Justice & Strong Institutions and Partnership for the goals whilst for UNGC, we are aligned with Principle 2, 4, 5, 6 & 8 in four areas on human rights, labour standards, environment and anti-corruption.*

BUSINESS MODEL & INNOVATION

8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 17 PARTNERSHIPS FOR THE GOALS

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI1	Business Model & Financial Management	• Potential losses leading to reduction of shareholder values and poor share price performance.	• Re-define Company direction and business strategy. • Good management on the Group's financials and investment as well as maintaining healthy profits.	52
MI2	Project Management & Delivery	• Risk of losses arising from payment of compensation and reputation.	• Successful completion and delivery of projects on time and within budget.	54
MI3	Supply Chain Management	• Risk of unethical business practices/compliances throughout the supply chain which might affect the Company's reputation.	• Embed strong business practices in all aspects throughout our supply chain.	54
MI6	Technology & Innovation	• Obsolete technologies leading to lack of competitiveness and loss of business.	• Harnessing new skills, competencies and tools to support innovation.	55

LEADERSHIP & GOVERNANCE

UNGC Principles 10

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI4	Critical Incident Risk Management	• Cost incurred from the damages of unprecedent incidents.	• Immediate response to the crisis to minimize the damage on costing and corporate image.	56
MI7	Business Ethics	• Risk of unethical business practices among employees or throughout the value chain which might affect the Company's reputation.	• Embed integrity and ethical business practices in all aspects of our business.	57
MI8	Systematic Risk Management	• Risk of harming organization's operations such as finance, revenues, reputation, market position etc.	• Able to identify, assess and mitigate any events which might harm the organisation based on strategic and operational risks management plan.	58

HUMAN CAPITAL

UNGC Principles 2, 4, 5, 6

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI5	Talent Attraction, Growth & Retention	• Not being able to attract and retain talents will negatively impact the Company's ability to perform and achieve its objectives.	• To be the employer of choice by nurturing competent talent for company's growth.	60
MI9	Employee Health & Safety	• Major accidents due to non-compliance of policies and procedures that may lead to fatality or severe injury.	• Creating a safe and healthy workplace, at both offices and project sites to enhance productivity and performance.	64

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI10	Employee Engagement, Diversity & Inclusion	• Impacts to productivity and losses to the Company. • Challenges arising from workplace discrimination and unfair treatment.	• Social & recreational activities/ initiatives for employees. Employees benefits and compliance with all wage laws for all categories of employees. • Fair treatment to all employees, employee diversity in respectful workplace.	61

ENVIRONMENT

UNGC Principles 7, 8

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI11	Water & Wastewater Management	• High costs, loss of biodiversity, degradation of the multitude of benefits from ecosystems, and an increasing prevalence of environmental hazards.	• Undertake actions to mitigate the impact towards the environment within our business operations.	71
MI12	Pollution & Resources Management			73

BUSINESS MODEL & INNOVATION

Maximising Shareholders' Value

Total Value Added for Distribution
RM27 million
in FYE2020

Client's Satisfaction Level
76.5%
compared to FYE 2019:
▲ 2.8%

Total Cash & Cash Equivalents
RM142.8 million
compared to FYE 2019:
▲ 17.7%

Venture into Rooftop Solar PV Installation
with capacity of
1.48 MWp

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS

Delivering profitability and maintaining a healthy financial performance is our foremost sustainability commitment and we aim to achieve this by providing innovative products & services through operational excellence.

In this section, we present our performance under Business Model & Innovation: Maximising shareholders' value based on the following areas:

1. **Business Model & Financial Performance**
   a. Business Model Resilience
   b. Financial Management & Profitability
   c. Branding & Reputation
2. **Project Management**
   a. Project Delivery
   b. Client Satisfaction
3. **Supply Chain Management**
4. **Technology & Innovation**

MI 1 BUSINESS MODEL & FINANCIAL MANAGEMENT

Business model & financial management refers to economic value generated and distributed by the Group in our value-creation process.

The Group is cognizant that a strong economic and financial performance is crucial as it is one of the indicators used in accessing its ability in generating direct economic values to its stakeholders, which includes shareholders, investors, employees, suppliers and bankers. This is also reflected in our Materiality Matrix which ranked Business Model & Financial Performance as the top priority of our stakeholders.

Business Model Resilience

As an integrated services provider, with focus on water and wastewater engineering construction, transportation, property, technology services and solar power sectors, the Board embraces long term value creation across our businesses in dealing with rapidly-shifting external contexts such as disruptive technologies, economic uncertainties, changing demographics and natural resource scarcity. The Board is of the view that a resilient business model is one which takes sustainability as our foundation for long-term value creation. Our business model resilience strategy is built on the following elements:

1) **Board & Management Leadership –** Having the strategic foresight and structured ways to identify signals of change on the horizon, explore multiple possible futures, and create fit for-purpose strategies

2) **People –** Attracting and retaining employees with alignment to the company's values, purpose, and sustainability impacts

3) **Process –** Ensuring that enterprise risk management (ERM) processes fully consider sustainability challenges such as climate resilience, natural resource availability and social volatility

4) **Product –** Generating revenue growth by developing products, services and solutions that meet sustainability needs, such as reducing greenhouse gas (GHG) emissions,

achieving the UN Sustainable Development Goals (SDGs), or reaching underserved customers. This requires that we view the sustainability challenge not as a risk to be mitigated but as a driver of innovation for new products, services and technologies.

In line with Salcon's strategy of growth and diversification to build a resilient business model, the Group put plan into action by venturing into the glove manufacturing business and strengthened our position in the renewable energy (RE) sector through the signing of three solar power purchase agreements with HeveaPac Sdn Bhd in FYE 2020. Both business expansions are expected to contribute additional income streams to the Group.

Financial Management & Profitability

The Group seeks to maximise its shareholders' value through prudent financial management and increasing returns on investment in the form of dividend payments and capital appreciation which is reflected in market value of shares.

Our strategy to increase shareholder value through financial management and profitability is based on three strategic pillars:

We focus on our existing Business Units and markets to leverage our leadership position

We continuously strengthen and extend our service offerings to ensure long-term success for our stakeholders

We drive improvement in the efficiency and effectiveness of our processes

While we anticipate near-term growth prospects to be impacted by the COVID-19 pandemic on our existing businesses, we see opportunities out from the storm by venturing into the glove making business and investing in the solar panel installation business which will enable us to generate new sources of income in the coming year.

The Group's economic value generated are detailed in Management Discussion and Analysis on page 36.

Branding & Reputation

Our business reputation impacts all our relationships – with our clients, investors, suppliers, regulators and all our other stakeholders; it has a ripple effect throughout our organisation. We recognise that a good business reputation is critical for the growth and success of our business.

1. **Langat 2 Package 15 (4) Project Implementation Briefing with Residential JKP Zone 4 Hulu Kelang**
   Together with our client and consultant, a briefing on the project implementation for project Langat 2 Package 15 (4) was conducted with the representatives of residential at JKP Zone 4 Hulu Kelang to provide the information about the project construction and answer the queries raised by the representatives of the residents.

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

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

   a) Global Water Intelligence
   b) Malaysia Water Association (MWA)
      - Participation & support in the Water Industry Guide & Table Calendar
   c) International Water Association (IWA)
   d) Malaysia Investor Relations Association (MIRA)
      - Attended seminars/ workshop organized by MIRA
   e) Malaysia South-South Association (MASSA)
      - Participation in Anniversary Dinner and experience sharing on venture into Vietnam market
   f) Malaysia Institute of Corporate Governance (MICG)
   g) Malaysia Employment Federation (MEF)

4. **Online platform**

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

MI 2 PROJECT MANAGEMENT & DELIVERY

Project management & delivery refers to the process of leading the work of our project teams to achieve goals and meet success criteria within a specified time and budget.

Successful project delivery and management is a key indicator of customer satisfaction and we are committed to deliver all projects entrusted to us on time and within budget. The status of key projects is monitored closely through monthly operational meetings at various levels in the organisation to ensure that the project is delivered with quality and meeting our clients's requirements.

Salcon has in place a dedicated team to oversee the ongoing management and maintenance of the ISO 9001:2015 Quality Management System (QMS). The team identifies, tracks and implements system changes in a timely and consistent manner for the benefit of project teams that use construction materials in their daily operations. Our projects undergo annual Internal Quality Audit to ensure QMS compliance, where the findings are clearly communicated to the project teams and tracked for timely corrective action. All issues are further communicated to the Management Team for their awareness and used in monitoring project performance.

Client's Satisfaction

Customer satisfaction surveys are conducted twice a year to provide a channel for our clients to evaluate our performance. Led by the QA/QC team, the responses from the surveys are consolidated, analysed and compiled into a report to provide the various project teams an insight into the satisfaction levels of our clients' based on the various service elements identified. If written comments have been provided in any area of concern, relevant project teams are required to provide an action plan to manage customers' concerns.

Through our continuing efforts over the years we have been able to maintain our scores in ensuring our clients' satisfaction. In FY2020, we conducted a client's satisfaction survey for 8 projects in Malaysia, namely Kuala Terengganu Utara Water Treatment Plant, NRW Sandakan, Langat 2 Water Treatment Plant, Langat 2 Package 15 (4), Telibong Water Treatment Plant, Langat CSTP , Langat NPS and Ambathale Stormwater Pumping Station. We were rated 76.5% on the average by our clients, compared with 73.7% in the previous year. Besides conducting client satisfaction surveys twice a year, we engage with our clients through regular project meetings and informal get-together activities in order to gauge our clients' satisfaction level and listen to their feedback from time to time.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 2 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 2 minutes, subject to the genre of calls.

Besides delivering the best services to our clients, we are committed to respect our clients' privacy and ensure that our clients' data is protected under the Personal Data Protection Act 2010. We do not disclose or use the clients ' information for any other purposes without clients' consent. In FY2020, there are no incidents or complaints pertaining to breaches of clients'privacy.

2 minutes
call handling time at Sandakan customer service centre

88.8%
of suppliers ranked at excellent performance level

ISO 9001: 2015
Quality Management System in place

MI 3 SUPPLY CHAIN MANAGEMENT

Supply chain management refers to the management of ESG risks within our Group's supply chain and addresses the issues associated with sub-contractors' & suppliers' operation activities.

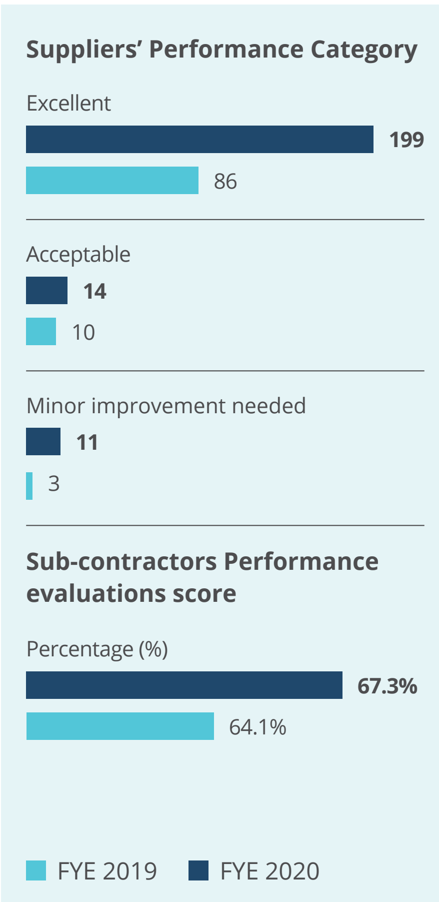
At Salcon, we are committed to working with suppliers, sub-contractors and other supply chain partners who share our values and work innovatively. Our suppliers and sub-contractors are vetted through stringent pre-selection criteria depending on the goods or services offered and they are only appointed for projects upon meeting these selection criteria. As for new suppliers, they will have to undergo a pre-qualification process prior to being included in the panel of approved suppliers.

The Company's Statement of Policies and Business Ethics ("SPBE") defines the basic requirements placed on our suppliers and sub-contractors concerning their responsibilities towards their stakeholders and the environment. Acknowledgement of the SPBE is a prerequisite in every

Salcon contract and it is the suppliers'/ contractors' responsibility to actively communicate and convey to their employees to ensure it is enforced and complied in every aspect in order to comply with Salcon's principles and requirements.

A yearly evaluation is conducted on existing suppliers and sub-contractors to assess their performance in areas including service delivery, quality of products and price competitiveness. We also work with our sub-contractors and provide them with safety and health trainings to drive improvements across the operations.

Supplier & sub-contractors performance evaluations:



MI 6 TECHNOLOGY & INNOVATION

Technology & innovation refers to the Group's strategy of developing new services and products to fulfill the needs and trends in the marketplatce.

The Group recognises the importance of advancing technology and digitalization as it provides opportunities for businesses to become more productive, innovative and relevant in a fast-changing world. Besides continuously identifying new technology partners to develop and bring to market new technologies relevant to the different industries we operate in, the Group seeks to increase its operation efficiency through technology advancement in management information systems.

Under the Engineering & Construction Division, our collaboration with Wide Plus Smart City Sdn Bhd serves as a milestone for us to provide end-to-end water management solutions throughout a water utilities' entire water network system supported by internet of things (IOT) solutions for remote meter reading, water quality, pressure and level monitoring and leakage detection. Through this technology, fast data analysis and statistics for decision making and efficient monitoring of water quality and water supply conditions can be achieved to meet our clients' need and requirements.

In our solar business endeavour, Salcon further strengthened its commitment in environmental sustainability by establishing a joint venture company with HeveaPac Sdn Bhd ("HeveaPac") namely Satria Megajuta Sdn Bhd ("Satria") to install the Solar PV systems in HeveaPac's premises. With this collaboration, we are able to lower Heveapac's operating cost and reduce their carbon footprint in the daily business operations.

The technology services division is driven by our subsidiary Volksbahn Technologies Sdn Bhd (VBT) which provides enhanced connectivity and digital services in the Klang Valley through the laying of fibre optic cables along the LRT and monorail lines in the Klang Valley. Besides providing services to telecommunication operators to improve the capacity and quality of their network, we generated other business opportunities along the backbone of the fibre optics cable laying such as advertising, remitting, ticketing services etc through smart partnerships with other companies.

Salcon in joint venture with HeveaPac Sdn Bhd to install rooftop solar PV systems at HeveaPac's premises

LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner

ZERO case reported through whistleblowing channel

Launching of **Crisis Management Plan** in FY2020

190 employees attended anti-bribery & anti-corruption briefing in FY2020

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We are committed to be a trusted, reliable and sustainable partner for our customers, business partners and employees by upholding the principles of transparency and integrity in all aspects of our business practices.

In order to gain and maintain the confidence of our stakeholders, aspects such as how the Group manages our critical incident risks, business ethics & integrity and how we manage our key risks and opportunities play a major part in being a trusted and reliable company.

MI 4 CRITICAL INCIDENT RISK MANAGEMENT

Critical incident risk management refers to the alignment of our operations, services and functions to manage assets and situations to prevent or mitigate the occurrence of critical risks to the Group.

In FY2020, Salcon launched its Crisis Management Plan ("CMP") driven by key divisions and subsidiaries to respond to crises involving the company's assets, businesses and reputation. It is crucial to implement predictive and preventive measures before facing any critical issues that threaten our business, and if such occur, we strive to minimize any potential damage and take measures to prevent recurrence in order to properly manage crises while ensuring continuous and stable business development.

The roles of each response team to different levels of crisis are summarized in the table below:

TYPE OF MANAGEMENT	RESPONSE TEAM	ROLES
Crisis Management	Crisis Management Team (CMT)	• Manage and make decisions on human impacts (both employees and the community), company reputation, share values and corporate assets.
Emergency Coordination	Emergency Management Team (EMT)	• To gather, assess and disseminate information and to propose decisions for solution to affect recovery. • To advice and coordinate all response activities beyond the scope of the on-scene response, and manage internal and external stakeholder issues. • To ensure that targeted audiences receive crisis-related information through the most efficient, expedient Channels.
Accident/ Incident Management	Emergency Response Team (ERT)	• Responsible for executing the on-scene response. This team is typically led by an Incident Commander. The individuals of this team are highly skilled and trained in specific response measures. • These specialized members include Fire Marshall, First Aider and Safety Officer.

The detailed CMP was circulated to all Salcon's employees and respective head of the Crisis Managemnet Team ("CMT") to discuss with their staff accordingly to ensure everyone in the organisation is briefed clearly on how to respond efficiently in the event of a crisis.

MI 7 BUSINESS ETHICS

Business ethics refers to the management of ethical conduct within the Group's operation while providing services that satisfy the highest professional and ethical standard of the industry.

The Group takes matters related to ethical behaviour and proper conduct seriously and stress on the highest standards of conduct amongst our employees.

Corporate Governance

Good corporate governance forms the foundation of a healthy organisation and can set the tone as to how a company operates and behaves, both internally and in the market. A company must also comply with laws and regulations, not only to protect its reputation, but also because failure to do so could result in a variety of penalties that lead to additional costs. Salcon is committed to achieving compliance with the Malaysian Code on Corporate Governance ("MCCG"). Our Company Secretarial Department and Internal Audit & Risk Management Department work closely with the Board to implement measures that ensure accountability and adherence to related best practices.

For more details on Corporate Governance, kindly refer to the Corporate Governance Overview Statement from page 84 to 87.

Ethics & Integrity

All directors and employees at Salcon are expected to comply with our corporate code of business ethics conduct ("COEC"), which require everyone at Salcon to observe the highest ethical business standard of honesty and integrity and to apply these values to all aspects of our business and professional practices.

The COEC, which was recently reviewed by the Board in FY2020 to ensure alignment to best ethical practices, is available to all employees via the Company's intranet and official website. Notification of the recent amendments were sent out via email by the Group's Human Resource & Admin Department. New employees are also introduced and briefed on the COEC during the staff induction process and are expected to perform their roles and responsibilities in accordance with the highest ethical standards.

The Group's whistle-blowing channel allows our stakeholders to report misconduct of Salcon employees, including member of our Senior Management and Board Member, or complaints and grievances through email, phone call, grievance report form and face-to-face meeting with HR personnel. Details of how to make a report have been made available on our corporate website.

No cases were reported through the Whistleblowing channel in FY2020.

Anti-corruption

In line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009) which takes effect in June 2020, the Group launched its Anti-Bribery and Anti-Corruption Policy ("ABAC") duly approved by the Board for all employees.

The ABAC is available on the Company's website and outlines our commitment to business integrity and compliance with applicable laws. Corruption is a great challenge that poses major risks to our business goals and operations. With this, Salcon adopts a zero-tolerance stance toward corruption and firmly believes that addressing it requires concerted action from all. In order to communicate the amendment with all our employees, a briefing was also conducted for the employees on the details of the amendment and the employees were requested to sign a declaration form that they understand and adhere to the policy.

We apply the same values on anti-bribery and anti-corruption to our suppliers and sub-contractors by enforcing a condensed version of our Policy statement to them upon their appointment. They will need to acknowledge their understanding and agreement on the Company's firm stand on the Policy.

In FY2020, we achieved:

Zero reported incidents of corruption in FY2020

Zero fines/ penalties in FY2020 in relation with corruption/ bribery

Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines

MI 8 SYSTEMATIC RISK MANAGEMENT

Systematic risk management refers to the management of the business risks and the mechanism addressed in the system to mitigate the risk impact.

At Salcon, our risk management is overseen by the Risk Management Committee (RMC) which meets at least once a year to discuss any potential and existing risk issues in the Group, review its effectiveness according to current local and global business environment and reports them to the Board. The RMC is supported by the Internal Audit & Risk Management Department (IARMD).

Managing our Risks & Opportunities

Effective risk management is crucial to the long-term and sustainable growth of the Group.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. We use this policy as the framework to identify, assess, monitor, manage risks and report the operational risks, environmental risks, corruption risk on our operating companies. For more details on the composition of the RMC and our detailed risk management practices, please refer to the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control on page 84 and 90.

The significant business risks to the Group and the mitigation efforts are as follows:

Risks	Description	Mitigation Efforts
Financial Risk	• Credit risk exposure to an external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates and etc.	• The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the Statement of Risk Management & Internal Control on page 90-93.
Competition Risk	• Intense competition from local players/ global players.	• Keep informed through market intelligence/ surveillance, news media and trade journals. • Initiatives to increase service capabilities and reliability in line with economic conditions and market demand. • Yearly customer satisfactions survey and feedback.
Geopolitical Risk	• Every country in which we operate has its own set of geopolitical risks, based on the political environment and government stance on foreign direct investment.	• Build good rapport with local authorities and regular visit to ensure smooth operations. • Closely monitor the political environment through news media and regular discussion with Management on local geopolitical climate.

Risks	Description	Mitigation Efforts
Regulatory and Litigation Risk	• Amendments, revisions or introduction of new regulations may disrupt business processes, delay approvals or necessitate changes to operations. • Failure to meet contractual obligations with clients, vendors and other parties.	• Build rapport and work closely with government regulators and authorities to stay abreast with current developments in legislation and comply with applicable laws and regulations. • Continuous review and management of contractual terms and conditions by the business units to ensure compliance at all times.
Project Management and Construction Risks	• Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes.	• Proper selection of sub-contractors, suppliers, consultants etc. • Form Project Management Team to oversee and closely monitor on the project progress. • Conducting periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation and etc. • Strengthened in-house training measures to improve Project Management Team capabilities. • Innovate & develop strategies that enhance operational efficiency and cost optimization.
Workplace Health and Safety Risk	• Safety hazards that lead to worker accidents and injuries. • Risk of non-compliance with the government's COVID-19 Standard Operating Procedures (SOPs).	• Well-defined health and safety policies and procedures are in place. • Constantly raise awareness of health and safety via training. • Audits and inspections are conducted periodically to ensure effective implementation and compliance. • Pro-actively monitor and update relevant SOPs to be in line with the government's policies, with improved work environment conditions and enhanced precautionary measures.
Cyber Security Risk	• Disruptions to information technology infrastructure, as well as the threat of cyber terrorism and information security breaches.	• Well-defined IT policies and procedures are in place. • Constant monitoring of security network for any potential threats. • Ensure employees are aware of cyber risks and play their part to keep the systems safe.

HUMAN CAPITAL

Building a Thriving Workplace for Employees

Total no. of employees
326

26.4%
Female in managerial level & above

100%
project sites are ISO 45001:2018 certified

Achieved
1,932,710
man hours without LTI

At Salcon, our people are the driving force powering our business activities. As such, a thriving and sustainable workplace where employees feel energetic and alive is vital at improving job performance, good health, effective leaderships and having a positive work-life balance. Besides this, we firmly believe in providing our people the necessary training and career development opportunities to accelerate their professional and personal development.

MI 5 TALENT ATTRACTION, GROWTH & RETENTION

Talent attraction, growth & retention refers to the Group's workforce strategy to prepare appropriate human resource to correspond to the company's business growth strategy.

A well-thought out talent management and succession plan with clearly defined metrics can ensure a ready talent pipeline that can be leveraged for continuity in key leadership and workforce roles. The Group adopts 2 approaches i.e. Talent Attraction & Retention and Training & Development in our human capital management to ensure the continued growth and development of our most talented people.

Talent Attraction & Retention

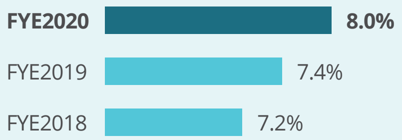
In order to ensure that the Group is positioned to execute and consistently achieve our strategic business objectives, we focus on acquiring the right talents, engaging and retaining our employees with on-going initiatives and activities to create a positive and productive work culture.

We adopt best practices with respect to benefits and wellness including annual leave and benefits which differ depending on the position the employee holds within the organisation. From time-to-time we review our benefit packages to ensure they are well-suited for our employees and competitive. This year, we revised some policies and procedures as well as the benefits of employees Salcon's Employee Handbook (HRPP). It was circulated to all employees through email and saved in internal server for employees to access at anytime. Improved benefits to employees include increase in subsistence allowances, training and education assistance schemes, replacement leaves claim, executive medical examination reimbursement, handphone subsidy and reimbursement.

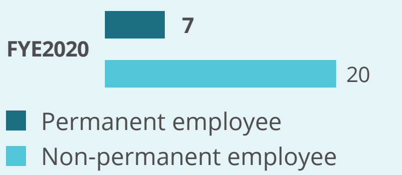
Salcon's employee performance is regularly evaluated to identify strong performers and detect performance gaps in individuals. Performance reviews are conducted to assess goals achieved for the year by employees based on Key Performance Indicators (KPIs) and core competencies. Rewards are offered according to employees' performance based on our Performance Management System (PMS).

In FYE2020, our full-time employee turnover rate stands at 8.0%

Full Time Employee Turnover Rate



New Recruits



➤ *A variety of training programmes are offered to the employees to enhance their level of skills and knowledge*

Training & Development

At Salcon, we provide our employees with continuous training and career development opportunities to sharpen their knowledge in soft skill, leadership & management, technical training and safety, health & environment.

Employees undergo relevant training based on the findings or gaps derived from training needs analysis which is conducted on a yearly basis.

Total number of training hours:
687 hrs

Average training day per employee:
0.5 day

Average training hour per employee:
3.1 hrs

Total training investment:
RM94,128

Effectiveness of training:
97.7%

MI 10 EMPLOYEE ENGAGEMENT, DIVERSITY & INCLUSION

Employee engagement, diversity & inclusion refers to the Group's ability to ensure its practices in human capital management embrace the building of a diverse and inclusive workforce.

At Salcon, we place great importance on establishing a culture of respect for diversity and inclusion as well as an environment conducive to work-life balance where employees can demonstrate their potentials to the fullest.

Equal Opportunities & Diversity

We strive to create an open and trusting work environment characterized by equal opportunity as well as diverse, inclusive, collaborative and learning culture by upholding the principles in treating our employees fairly and equally in terms of recruitment opportunities and career advancement. At Salcon, we do not practise discrimination in gender, age, race, religion, culture or nationality as set out in our Equal Employment Policy. We strongly believe that diversity in the workplace is a good indicator of a healthy working environment.

We respect and value people with productive abilities irrespective of their differing abilities. At our subsidiaries namely Envitech Sdn Bhd, we have hired employee with hearing disabilities who receive fair treatment and benefits.

During the year under review, we are pleased to report that there is no incident of discrimination reported.

As at FYE 2020, we have a workforce of 198 male employees and 128 female employees. Female employees account for 39.3% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 26.4% of the senior management consists of female employees, an decrease of 0.3% compared with the preceding year.

Currently, the Board members consist of 6 male and 1 female director with mix of skills, knowledge, experience and independence as well as gender.

Workplace Well-being

Most of the workplace well-being activities lined up for the year such as company trips, family days, festive celebrations and sporting events were not continued this year due to the COVID-19 pandemic. Nevertheless, we conducted engagement activities with our employees through other approaches such as via online or through limiting the number of participants in order to adhere to the COVID-19 SOPs on social distancing to promote good health and work-life balance.

Salcon strives to promote good health, work-life balance and environmental awareness among the employees whilst adhering to the COVID-19's SOPs

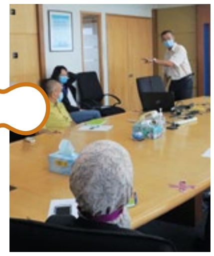
Workplace Well-being Activities

Salcon Earth Hour
in office to create awareness on climate change

Staff participation in **Salcon new website contest**

Salcon Core Value contest
to recognise staff excellence in our core values

First Aid Video Competition
in conjunction with safety & health campaign week



Save Paper, Save Planet
awareness activity

Annual Recycling Competition
with items totalling 1,793kg recycled from staff

Safety Hunt Contest
to all staff during the safety & health campaign week

Health Talk
on Eczema

Mental Health Talk
during the COVID-19 pandemic

Distributing water saving kit to staff during the **Slow the Flow, Save H2O campaign**

Raya Goodies Giveway
to all staff during Ramadhan month

Staff participation during **Salcon Blood Donation Campaign**

EMPLOYEE DEMOGRAPHY

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

Description	2018	2019	2020
Total employees	334	376	**326**
Total employees by gender			
- Male	202	216	**198**
- Female	132	160	**128**
Total employees by region			
- Malaysia	309	350	**303**
- Thailand	1	1	**1**
- Sri Lanka	14	17	**15**
- Vietnam	8	6	**7**
- India	2	2	**0**

Description	2018	2019	2020
Total employees by employment type			
- Executive	232	257	**222**
- Non-executive	102	119	**104**
Total employees by age group			
- <30 years old	66	92	**65**
- 30-49 years old	189	199	**179**
- > 50 years old	79	85	**82**
Salary ratio (female:male)	1:1.38	1:2.4	**1:2.37**
Ethnicity (Malaysia only)			
- Malay	162	189	**163**
- Chinese	96	101	**92**
- Indian	33	32	**26**
- Others	18	28	**22**
New employees hires			
- Permanent employee	34	25	**7**
- Non-permanent employee	13	53	**20**
Employee Turnover by employement			
- Permanent	24	28	**26**
- Non-permanent employee	17	37	**27**
Employee Turnover Rate	7.2%	7.4%	**8.0%**
Gender of employees with position manager & above			
- Male	75	77	**64**
- Female	28	28	**23**
Total Training Investment (RM)	RM136,761.5	RM236,613.2	**RM94,128.3**
Average Training hours per employee	5.9 hrs	5.39 hrs	**3.1 hrs**

LABOUR PRACTICES

Employee Rights

Respecting employee rights is a key element in our employment offering, as laid out in our Code of Conduct. We respect our workers' rights to privacy, fair compensation and freedom from discrimination.

We also adhere to all international agreements preventing child labour, forced labour and are committed to provide freedom in political views, fair treatment as well as best industry practices in creating a safe & healthy workplace.

The principles and actions are detailed on Salcon's website, https://www.salcon.com.my/sustainability/human-capital-development under the section of Embracing Diversity.

Grievance Mechanisms

The grievance mechanism establishes our commitment as a corporation to provide a mechanism to receive and facilitate the resolution of any concerns and complaints raised by the employees throughout the Salcon Group.

There is no report on grievance or non-compliance on human rights issues in FYE 2020.

MI 9 EMPLOYEE HEALTH & SAFETY

Employee health & safety refers to the Company's ability to ensure a safe and healthy working environment for our employees.

As a corporation largely involved in engineering and construction projects, it is our responsibility to ensure the safety and health at all levels of employees, especially workers at our construction sites, to prevent accidents and ill health in the workplace.

Occupational Safety & Health

Guided by the Group's Safety & Health policy and in line with the SDG 8: Decent Work & Economic Growth, the Quality, Safety, Health & Environment (Q.S.H.E.) Department and S.H.E. Committee monitors and implements safety and health initiatives throughout the Group's operations, with the oversight by the Board. The S.H.E. Committee is chaired and led by the Group Chief Operating Officer (COO) with representatives from management and employees. The Committee is responsible for:

a. Assisting in the development of safety and health rules and safe systems of work
b. Reviewing safety and health policies and making recommendations
c. Inspecting the workplace and recommending preventive and corrective measures

In FY2020, we successfully transitioned from Occupational Health and Safety Management Systems standard OHSAS 18001:2007 to ISO 45001:2018 and all the projects sites which are monitored by the Q.S.H.E department are certified with ISO45001 and audited by Bureau Veritas.

The Q.S.H.E. policy is available on Salcon's website, https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment

➤ *The successful transition to the ISO 45001 certification is testament of the company's ongoing commitment to meet optimum occupational safety and health standards throughout its operations and to proactively improve its system to prevent accidents and ill-health*

OUR RESPONSE TO COVID-19 PANDEMIC

Since the first outbreak of COVID-19 in early 2020, our first priority has been to protect the well-being of our employees and their families. Aside from cancelling internal and external events that pose safety and health risks for our employees and the public, we also imposed self-quarantine for staff who have been to high risk countries. Besides this, all our office staff and workers at the project sites are clearly briefed to follow the precautionary SOPs strictly such as temperature screening daily and compulsory mask wearing in office. Besides that, swab-tests were arranged for every worker at all project sites.

In response to the Movement Control Order (MCO) imposed by the Government on beginning 18 March 2020 and following the various relaxation of the restriction regulations beginning May 2020, the working arrangement for staff was revised to staggered working hours and working on rotation basis till todate.

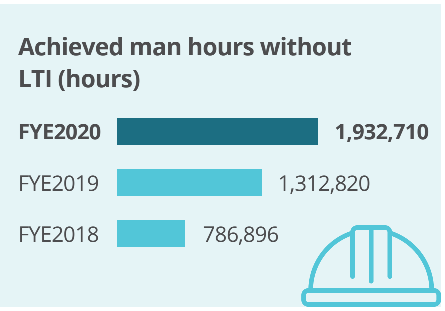
Although precautions measures were taken prudently to ensure the safety at our workplace all the time, Salcon recorded one (1) case of COVID-19 at Salcon headquarters in November 2020. The office was closed immediately to undergo deep sanitizing and cleaning and the staff who are identified as possible close contacts were requested to do the swab test as well as undergo self-quarantine at home. We are pleased to report that the infected staff has fully recovered and there were no further cases reported in FY2020.

We monitor the safety and health progress, targets and its implementation periodically through the following initiatives:

No.	Initiatives/Actions	Frequency
1.	Project sites inspection and audits	Quarterly
2.	S.H.E. Committee meeting to discuss workplace safety & health issues	
3.	Audit at HQ & project sites	Yearly
4.	Reminder emails on current workplace safety and health issues Safety and health events held during the Annual Safety & Health Campaign Month to raise awareness	As needed
		Project site/ office
5.	Immediate execution of COVID-19 prevention measures including: Sanitization, temperature check for all employees and visitors, compulsory mask wearing, staggered working hours	HQ and all project sites
6.	Hazard Identification, Risk Assessment and Risk Control (HIRARC) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
7.	Basic occupational first aid, CPR & AED training	HQ and all project sites
8.	Safety & Health Campaign	HQ
9.	SHE induction training for new workers	Applicable water and wastewater project sites
10.	Toolbox briefing	
11.	Machinery inspection	
12.	S.H.E. audit & inspection	
13.	Fire drill and emergency evacuation	HQ and all project sites
14.	Traffic management training	HQ and all project sites
15.	ISO 45001:2018, Occupational Health & Safety Management System Awareness training	HQ and all project sites
16.	Health check	HQ
17.	Blood donation	HQ

Working towards zero LTI

Following the new target of the Group's man hours without loss time injury (LTI) at 2.5 million hours, we achieved 1,932,710 man hours without loss time injury (LTI) through various health and safety measures and we will continue to ensure a healthy and safe workplace to our employees and contractors.



➤ *Toolbox briefing for workers at Langat 2 Package 15 (4) project site*

Safety & Health Training

Inadequate health & safety training to site workers and employees might increase the risks of dangerous mistakes and incidents happening. Therefore, we conduct frequent health and safety training programmes to ensure that high-risk employees are up-to-date with the latest developments in health and safety.

During the COVID-19 pandemic period, we continue to provide safety and health trainings for the employees and site workers with adhering SOP for COVID-19 stringently. In FYE 2020, 21.62% or 24 of the Safety Committee members underwent safety training. Nonetheless, employees who are not part of the Safety Committee were strongly encouraged to attend safety-related trainings to instill awareness of the importance of workplace safety.

In FYE 2020, 87 employees who are not part of the S.H.E. Committee were also sent to attend safety-related trainings.

	FYE 2018	FYE 2019	FYE 2020
Total safety & health training hours for employees	1,268	264	**350**
Total safety & health training hours for sub-contractors	12	4	**18**
S.H.E. Committee members have attended safety & health related training	82%	21.45%	**21.62%**

ENVIRONMENT

Protecting the Environment

Reduction of
17.13%
water consumption intensity for admin offices in FYE2020

Reduction of
16.05%
carbon intensity emission for admin offices in FYE2020

Reduction of
18.95%
energy consumption intensity on a per unit basis for admin offices in FYE2020

We are committed to protect the environment by minimising the environmental impacts of our business operations through the reduction of waste and pollution, optimizing water and energy use, minimizing our carbon emissions as well as protecting biodiversity.

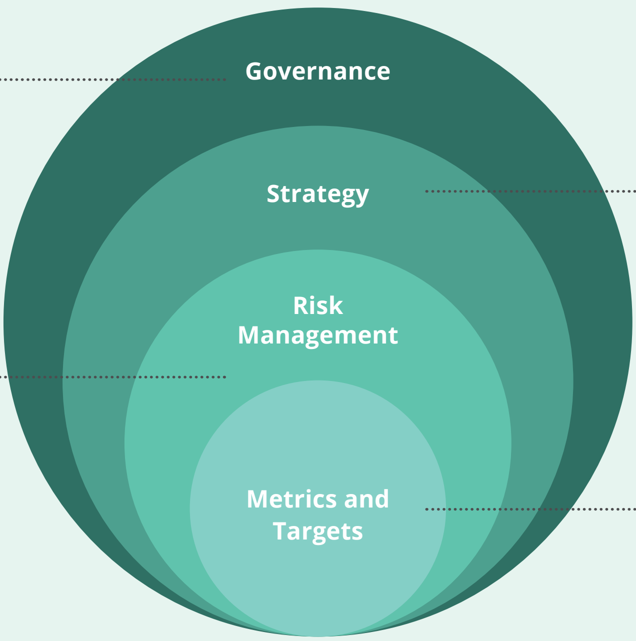
ALIGNMENT WITH TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

In recognizing the impact, risks and opportunities of climate change to the business and environment, we identify our business risks and opportunities and verify business resilience and strategy based on TCFD's recommendations.

Core Elements of Recommended Climate-Related Financial Disclosure

Our Governance around climate-related risks and opportunities

The processes used to identify, assess, and manage climate-related risks



The actual and potential impacts of climate-related risks and opportunities on our businesses, strategy and financial planning

The metrics and targets used to assses and manage relevant climate-related risks and opportunities

Key Pillars	Salcon's Key Approaches	Refer to page
Governance	• The Board, with the support of Sustainability Committee (SC) oversees the Group's environmental and climate change risks & opportunities, strategies, initiatives and performance and approves the Sustainability Statement which provides disclosure of the Group's environmental and climate change agenda.	40
	• Governance structure reviewed this year to include subsidiaries which are Envitech, VBT, ECT and Property Division for more connected and cohesive information, whilst breaking down silos and encouraging cross-organisational communication and engagement.	40
	• The Group's Green Policy which is available on the company website state our positions and commitments and steer how we manage climate change and environmental risks and opportunities to achieve our environmental objectives. *The Green Policy is available at https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf*	
Strategy	• Conducted Materiality Survey & Assessment on the impact on EES issues from our business operations; the top 3 environmental issues of priority for the Group are water & wastewater management, pollution & resources management and carbon emissions & climate change.	46
	• Climate Change Scenario Planning by analyzing the impact of an increase in 2°C on the company operations	68
	• Climate Change Adaptation strategies and initiatives through strategic partnerships, environmental collaboration, diversification and compliance with environmental regulations over short, medium and long term.	69-70
Risk Management	• Environmental and climate change risks and opportunities are identified and mitigated through Salcon's Enterprise Risk Management (ERM) framework via the risk scorecard and discussed at the Risk Management Committee.	90-91
	• Climate related operational issues such as carbon emissions, energy efficiency, water consumption and raw material resources are managed through the externally certified ISO 14001 Environmental Management System (EMS).	73
Metrics and Targets	• Track and monitor a number of climate related metrics including 3-year energy consumption intensity, water consumption intensity & waste generation	71-79
	• Disclosure of carbon intensity including Scope 1 & 2 GHG emissions.	

This year, we achieved zero cases of significant fines and non-monetary sanctions for environmental non-compliance from government authorities.

CLIMATE CHANGE SCENARIO ANALYSIS

The effects of climate change present significant risk and opportunities on our business operations.

In managing our key material environmental issues ie water and wastewater management and pollution & resources management and GHG emissions & climate change, we considered how the effects of an increase of >2°C change might affect our business operations over the short, medium and long term.

We have identified the risks and opportunities in terms of physical risk such as extreme weather events and water-related hazards and transition risks and opportunities in the legislative and financial areas. The scope of study covered our key markets such as water and wastewater, property management, property development, transportation. Based on the analysis, climate change is projected to bring the following impacts/risks to our business directly.

Climate-related risks & opportunities and Impacts

Category		Impacts on Salcon's Business Operation
Risks	Physical	• Water related hazards such as water pollution and water scarcity and drought as well as human health may affect our business operations at project sites • Storms and flooding causing damage to buildings and infrastructure • Disruption to transportation operations, including facilities and assets
	Transition	**Legislative** • Contractual or legal obligations due to uncertainty of water quality, quantity and volume • Changes in infrastructure and building codes under the new Climate Change Act in Malaysia **Financial** • Increase in cost of raw materials, construction costs and water/wastewater treatment process • Increase in building materials prices leading to higher property prices • Increase in stakeholder pressure – stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment • Rise in fuel and energy prices
Opportunities	Transition	**Financial** *Market & Technology Shifts* • Increased corporate value and revenue from expanded collaboration with institutions or higher learning to develop innovative technology that can contribute to the mitigation and adaptation to climate change • Market diversification into Renewable Energy sector, example solar power system for efficient energy management

Climate Change Adaptation Strategies & Initiatives

Understanding the need and urgency for climate adaptation, the Group looks to implement mitigation measures to minimize our environmental impact through strategic partnerships, environmental collaboration, diversification and compliance with environmental regulations over the short, medium and long term.

Minimising Our Carbon Footprint & Reducing Waste

Our efforts to manage our environmental impact focuses on reducing our carbon footprint and GHG emissions through our Salcon's Green Policy in the following key areas:

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

Collaboration with External Stakeholders

Environmental preservation can be much more effective and impactful when people are united by a shared purpose to drive positive change. Operating on this principle, the Group collaborates with Non-Governmental Organisations (NGOs) to raise environmental awareness and to contribute green initiatives in the areas of water conservation and recycling.

Water Conservation via Water Genius Challenge

Given the nature of our business operations, we take pride in continuing our efforts to raise awareness on water conservation programme to the community with our long-term collaborative partner – **Water Watch Penang (WWP)**.

The outbreak of COVID-19 has impacted the execution of the Salcon Smart Water Programme, our flagship water conservation programme. Neverthess, our conservation efforts continued online with the launching of the first phase of our inaugural Water Genius Challenge (WGC) via online learning and approach to the secondary teachers and students.

The WGC aims to empower school communities with knowledge and skills on the management of water resources.

Please refer to page 80 for more details on WGC.

Annual Recycling Initiatives

We continue to promote recycling through our annual recycling campaign in office. In FY2020, we worked with **Community Recycle for Charity (CRC)** , a non-profit organisation to encourage employees to practice the 3Rs (Reduce, Reuse, Recycle) culture by organising an interdepartmental spring cleaning and recycling competition.

A total of 1,792.8 kg of paper, plastic, glass, reusable items, metal and electronic items being collected during the campaign to reduce the greenhouse (GHG) emissions.

Please refer to details of recycling data on page 74.

Fabric Recycling Initiatives

We embarked on a fabric recycling initiative in collaboration with fabric recycling organiser **Kloth Cares**. This initiative is aimed at educating our employees to recycle unwanted fabrics and to help the environment by creating less waste for landfills and less pollution through the reduction in manufacturing of new clothes. Clothes collected are segregated at the collection centre and those that are still in good condition are sent to charitable organisations locally and abroad. Items that are no longer wearable will be made into useful items such as wiping cloth or fabric pallets that can be used to fuel boilers.

Salcon Fabric Recycling Bin has been set up in office to encourage employees to recycle unwanted fabric. We managed to collect 112.3 kg of fabric from Nov to Dec 2020 including pre–loved clothing, handbags, belts, linen and soft toys.

Please refer to details of recycling data on page 74.

MI 11 WATER & WASTEWATER MANAGEMENT

Water & wastewater management refers to the efforts in ensuring effective water usage and proper treatment of effluent from our operations.

Water Management

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

Performance in 2020:
Achieved a reduction in water consumption intensity of **17.13%**

Further to the Group's commitment on water use under the Group's Green Policy, a Water Management Plan (WMP) was established in FY2019 to focus and emphasize on our commitment to reduce water consumption via water conservation.

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

Over the last 3 years (FY2020, FY2019, FY2018), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water i.e. dams or rivers.

The initiatives in water management are presented in the table below:

Key Water Consumption Reduction Initiatives	Company/ Operation Country
• Non-Revenue Water (NRW) reduction projects in Sandakan. Our NRW reduction achievement in FY2020: a. 51% vis-à-vis 49% target reduction	Malaysia
• Partnership with Non-Government Organisation – Water Watch Penang for a holistic educational approach on water conservation.	HQ
• Recycle water for site washing at project sites as well as car and depot washing.	Malaysia
• Regular checking and immediate action taken for any leakage.	Group
• Water Management Plan outlining approach to manage and reduce water resources.	Group
• Environmental Week – Slow the Flow, Save H20 campaign to place water bottle in the flush tank and distribution of water thimbles sponsored by SPAN.	Malaysia

A rain harvesting system with storage capacity of 13,500 litres is used for site washing and plant watering at Langat CSTP

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. We are pleased to report that as at FYE 2020, there are no incidents of non-compliance with water quality/ quantity permits, standards and regulations

Water Consumption at Data:

Administrative Offices	FYE 2018 Water consumption (m^3)	FYE 2018 No. of employees	FYE 2019 Water consumption (m^3)	FYE 2019 No. of employees	FYE 2020 Water consumption (m^3)	FYE 2020 No. of employees
Envitech	335	45	362	51	382	51
SPS	19	18	13	18	6	17
Eco-Coach	7	20	329	22	149	13
Total	**361**	**83**	**704**	**91**	**537**	**81**
Water consumption intensity per person (m^3)	**4.3**		**7.74**		**6.63**	

Note: HQ, VBT and Green Fleet's water data is not available as its water usage is taken as part of the office rental.

Project sites	FYE 2018 (m^3)	FYE 2019 (m^3)	FYE 2020 (m^3)
Langat 2 WTP	73,605	22,894	**18,294**
Langat CSTP	299	5,173	**3,350**
KTU WTP	2,768	5,484	**3,720**
Ambathale Storm Water Pumping Station	n/a	869	**422**
Telibong WTP	n/a	n/a	**212**

Note: Data for Ambathale project is not available in FYE2018 as the project was awarded in FY 2018 and data for Telibong WTP is only available in FYE 2020.

Wastewater/Sludge Management

In FY2020, the sludge generated from Langat CSTP project site, which had started operations at end of 2019, was recorded at 40 tonnes per day subject to the daily treatment capacity. The dried sludge from the plant is disposed by a licensed contractor to a sanitary landfill operated by the local council at Tapak Pelupusan Tanjung Duabelas, Kuala Langat.

MI 12 POLLUTION & RESOURCES MANAGEMENT

Pollution & resources management refers to the management of our resources and pollution generated from our business activities which cover the treatment, storage, disposal and regulatory compliances.

As one of our key material issue, pollution & resources management cover the following topics:-

1. Waste management
2. Raw material used
3. Air quality and noise management

The Group fully complies with the ISO 14001 standard and ensures 100% compliance across our business operations with Malaysia's Department of Environment (DOE) as well as the guidelines set out by local authorities.

Waste Management

Target:

i) To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations

ii) To ensure that construction wastes are disposed at authorized landfills that are licensed by the Local Authority

Having a proper waste management is essential to develop a long-term strategy for environmental protection. As such, guided by our QSHE policy, we strictly adhere to all applicable environmental laws and regulations across all our operations to ensure that all construction waste are managed properly, improving resource efficiency and minimising waste disposal to landfills.

Our initiatives in waste management are presented in the table below:

Key Waste Reduction Initiatives	Company/ Operation Country
• Scheduled / hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location. • We engage with responsible and ethical waste management contractors to ensure proper collection and disposal of the waste generated by the Group.	Malaysia
• Recycle practice at all offices.	Group level
• Recycling campaign/competition.	HQ
• Setting target of reducing 10% of paper consumption in office by 2020.	HQ
• Introduction of e-waste bin at office for employees to dispose household or office e-waste properly.	HQ and Project sites
• Fabric/textile recycling bin placed in office.	HQ

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

Scheduled Waste Data:

Project Site	FYE 2018 (metric tonnes)	FYE 2019 (metric tonnes)	FYE 2020 (metric tonnes)
Langat CSTP	2.40	0.2	**n/a**
KTU WTP	n/a	0.01	**0.01**
Ambathale Storm Water Pumping Station	n/a	6.00	**1.3**
Telibong WTP	n/a	n/a	**0.007**

Note: Data for Langat CSTP is not available due to the project was completed and handover to government authority in FYE2020, data for Telibong WTP is only available in FYE 2020

Recycling Data:

Recycled Items	FYE 2018 (kg)	FYE 2019 (kg)	FYE 2020 (kg)
Paper	2,362	2479.0	3,032.3
Plastic	13.3	22.1	63.5
Metal	24	24	64.7
Glass	4.3	4.3	12.4
Reusable Items	76.9	274.9	134.1
Electronic Items	0.5	0.5	141

Raw Material Used

We aim to minimize negative environmental impacts at all our project sites through effective management of our supply chain to ensure responsible procurement of raw materials and construction works. The data on raw material used is recorded to ensure adequate stock levels and monitored to prevent wastages.

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

Raw Material Used	FYE 2018	FYE 2019	FYE 2020
KTU WTP Project (tonnes)			
- Reinforcement Bar	n/a	1,179.1	3,143.8
- Concrete		26,832	247,815
Ambathale Storm Water Pumping Station Project (tonnes)			
- Ready mixed concrete		3,875	1,830
- Steel bar		250	106.5
- Wooden plywood	n/a	31.5	-
- Cement		n/a	16.6
- Sand		n/a	207.5

Eco-Coach & Tours (M) Sdn Bhd (litres)			
- Diesel	1,080,521	1,094,773.6	929,517
Green Fleet Sdn Bhd (litres)			
- Diesel	n/a	269,627.7	231,960.4

Note: Green Fleet Sdn Bhd (GF), a subsidiary of Eco-Coach & Tours (M) Sdn Bhd provides oil product logistic services. Data for GF and KTU are not available in FYE 2018 as the company only commenced operations in FY 2019.

Air Quality & Noise Management

We ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment (DOE) at our project sites to prevent air and noise pollution.

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

Key Initiatives in Pollution & Resources Management	Company/ Operation Country
Air Quality • Regular watering of access roads at project sites to reduce dust pollution around the neigbourhood.	Project Sites
Noise • Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings.	Project Sites

Green House Gas (GHG) Emission Management

Target:
To reduce total carbon emissions by 10% by 2026 from 2019 (base year) for administrative offices

Performance in 2020:
Achieved a reduction in carbon intensity emissions of **16.05%**

CO_2

The initiatives in GHG emission reduction and management are presented in the table below:

Key GHG Emission Reduction Initiatives	Company/ Operation Country
• Video conferencing to replace air travel	Salcon HQ
• Usage of diesel instead of oil for our transportation services.	Penang

We started to track and monitor our Greenhouse Gas (GHG) emissions in FY 2019 as base year at our offices and subsidiaries. Our transportation division, namely Eco-Coach and Green Fleet which are involved in the heavy usage of transport vehicles in their daily operations contribute the most to the Group's carbon emissions.

This year, we continue to monitor the Direct (Scope 1) GHG emission and Energy Indirect (Scope 2) GHG emissions across our business units. The GHG emissions factor is based on the internationally recognised GHG protocol published by IPCC Guidelines for National Greenhouse Gas Inventories for Scope 1 emissions and Malaysian Green Technology Corporation for the Peninsular Grid for Scope 2 emissions.

We exceeded our carbon intensity emissions target by 16.05% mainly due to the reduction of fuel consumption in ECT and GF. This is due to the lower frequency and level of activity of the transport operations during the movement control order (MCO) period.

Total Carbon Intensity in FY2020 (Scope 1 and 2) for admin offices: 3,474,951.19 MT

Scope 1		Scope 2
Emission from compamy-owned vehicles by fuel type	+	Emission from electricity consumption
3,474,715.93 MT		**235.26 MT**

Scope 1 - CO_2 Emissions (MT equivalent) from Company-owned Vehicles by Fuel Type:

	CO_2 emissions (MT equivalent) FYE 2019		CO_2 emissions (MT equivalent) FYE 2020	
Administrative Offices	**Petrol**	**Diesel**	**Petrol**	**Diesel**
HQ	217,756.11	131,891.12	159,837.24	121,453.46
Envitech	103,715.92	61,947.67	85,718.62	39,655.80
SPS	-	20,159.76	589.15	-
Eco-Coach	-	2,891,297.15	-	2,454,854.37
Green Fleet	-	712,086.73	-	612,607.29
Total	**321,472.03**	**3,817,382.43**	**246,145.01**	**3,228,570.92**
Total CO_2 emission (MT)	**4,138,854.46**		**3,474,715.93**	

Note: The CO_2 emission calculation is based on the protocol from IPCC Guidelines for National Greenhouse Gas Inventories.

Scope 2 - CO_2 emissions (MT equivalent) from Electricity Consumption

Data from FYE 2018 is presented to benchmark our CO_2 emission level from our business operations although we have set 2019 as the base year to achieve the target of reducing carbon intensity by 10% by 2026 for the Group.

	CO_2 emissions (MT equivalent)		
Administrative Offices	**FYE 2018**	**FYE 2019**	**FYE 2020**
HQ	93.22	98.1	80.24
Envitech	48.23	51.71	58.2
SPS	10.12	6.39	5.55
VBT	29.48	31.56	31.92
Eco-Coach	31.4	3.18	51.78
Green Fleet	n/a	7.43	7.57
Total CO_2 emission (MT)	**212.45**	**198.37**	**235.26**

Note: The CO_2 emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.

	CO_2 emissions (MT equivalent)		
Projects Sites	**FYE 2018**	**FYE 2019**	**FYE 2020**
KTU WTP	35.59	72.74	32.84
Langat 2 WTP	191.65	259.39	149.65
Langat 2 Package 15 (4)	n/a	9.01	3.11
Telibong WTP	n/a	10.33	40.82
Langat CSTP	13.01	225.45	100.15
Ambathale Storm Water Pumping Station	n/a	7.68	13.81
Total CO_2 emission (MT)	**240.25**	**584.60**	**340.38**

Note:

- *The CO_2 emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.*
- *Data for Langat 2 Package 15 (4), Telibong WTP and Ambathale Water Project is not available in FYE 2018 as the projects were awarded in FY 2019.*

Energy Management

Target:
To reduce energy consumption intensity by 50%* on a per unit basis by 2026 from 2016 for administrative offices

Performance in 2020:
Achieved a reduction in energy consumption intensity of 18.95%

Note: Target energy consumption intensity was increased from 10% to 50% in FY2020 as the target has been achieved in FY 2019.

As part of our commitment to reduce the environmental impact generated from energy consumption, we view our electicity consumption every year as not only contributing to our operational expenses but also a significant source of emissions release. Along the years, we strive to maximise energy efficiency and increase energy conservation across our business units as stated in the Group's Green Policy.

The initiatives in energy management are presented in the table below:

Key Energy Reduction Initiatives	Company/ Operation Country
• Temperature control for air conditioning	Group level
• Turn-off air conditioning system and light when the room is not occupied	Group level
• Replacing faulty lights to LED lights which is more environmentally friendly.	HQ, Envitech
• Turn off lights during lunch time for one hour in conjunction with Salcon Environment Week	HQ
• Educating employees on energy saving through posters and email	Project sites, Malaysia
• Clear Perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang.	Penang
• Diversification into Renewable Energy sector (Solar Power)	Malaysia

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

Energy Consumption Data:

Administrative Offices	FYE 2018 Electricity consumption (kWh)	FYE 2018 No. of employees	FYE 2019 Electricity consumption (kWh)	FYE 2019 No. of employees	FYE 2020 Electricity consumption (kWh)	FYE 2020 No. of employees
HQ	134,329	140	141,359	238	115,623	220
Envitech	69,502	45	74,513	51	83,860	51
VBT	42,476	17	45,472	17	45,993	16
SPS	14,585	18	9,203	18	7,992	17
Eco-Coach	45,252	20	54,915	22	74,613	13
Green Fleet	-	-	10,713	2	10,905	3
Total	**306,144**	**240**	**336,175**	**348**	**338,986**	**320**
Energy consumption intensity per person (kWh)	**1,276**		**966.02**		**1,059.33**	

Note: Data for Green Fleet is not available in FYE 2018 as the company only commenced operations in FY 2019.

Project Sites:	FYE 2018 (kWh)	FYE 2019 (kWh)	FYE 2020 (kWh)
KTU WTP	51,277	61,592	47,317
Langat 2 WTP	276,146	373,756	215,631
Langat 2 Package 15 (4)	n/a	12,980	4,478
Telibong WTP	n/a	14,884	58,818
Langat CSTP	18,749	324,861	144,314
Ambathale Storm Water Pumping Station	n/a	11,072	19,903

Ecological Impacts

Biodiversity

Although we do not monitor biodiversity data from our operations at present, under the Group's Green Policy, we are committed to apply biodiversity conservation practices within our controllable area to reduce the loss of biodiversity in order to achieve a net positive biodiversity impact.

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

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

SOCIAL CAPITAL

Engage & Uplift the Community

Contributed
RM100,000
for COVID-19 pandemic

Virtual learning platform benefitting
120 teachers & school children

Total of
71
pints of blood collected for PDN

Positive engagements with the communities where we operate in is crucial for the long term relationships and success of our business. We are committed to engage and uplift the local communities through targeted social investments, local employment and skills opportunities to deliver a significant and positive contribution to the society.

COMMUNITY RELATIONS

We aspire to be a good corporate citizen, a valuable member of and active contributor to local communities wherever we operate based on a three (3) pronged approach; 1) community engagement, 2) local employment and 3) philanthropic giving. We strive to empower and improve the standard of living for local communities by providing support for basic needs, skills training and youth development programmes.

Community engagement

Under our Salcon Cares CSR programme that was established in early 2019, the Group's charitable efforts and initiatives are aligned with our aspirations for community investments and development through the following initiatives:

➤ *Salcon demonstrates its commitment to social causes through its 11th annual blood donation drive with the National Blood Centre (PDN)*

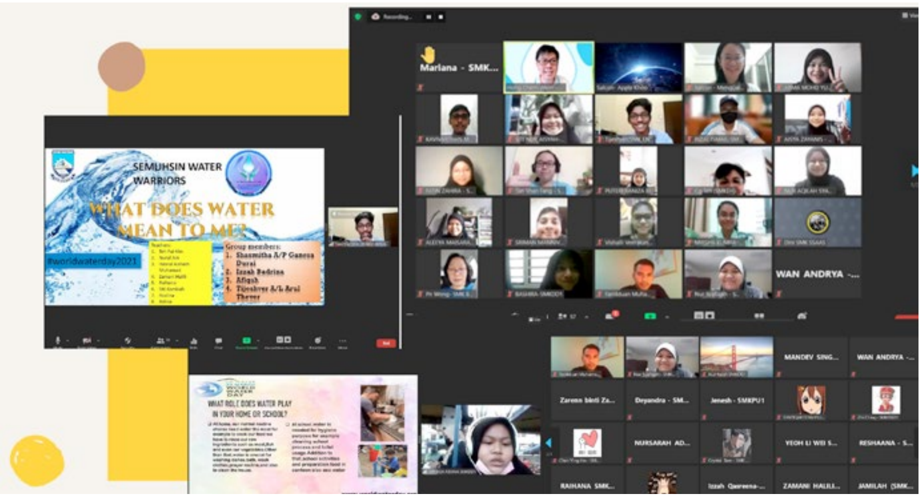
Salcon 11th Blood Donation Drive

In the midst of the COVID-19 pandemic, we are proud to continue our efforts to organize the company's 11th blood donation drive in response to the call by the National Blood Centre (PDN) to replenish its depleted stock of blood supply. The drive was organized with strict adherence to Standard Operating Procedures set by National Security Council and we successfully collected **71 pints** of blood with the potential to save up to **213 lives.**

Virtual learning - Water Genius Challenge

The unprecedented challenges we face this year are a strong reminder for us to step up on our efforts to engage with the community. In collaboration with Water Watch Penang and supported by MyCDNet, affiliated to Cap-Net, a UNDP's global network for capacity development in sustainable water management, we launched the inaugural Water Genius Challenge 2020 (WGC) which adopts a virtual learning approach to reach out to secondary school teachers and students in the Klang valley.

The objective of WGC is to empower school communities with knowledge and skills to promote innovative and creative ways to reduce water consumption in their respective schools. A total of five (5) secondary schools involving more than 120



➤ *Salcon in collaboration with Water Watch Penang organised an online forum/video presentation as part of the Water Genius Challenge in conjunction with World Water Day*

students and teachers participated in this programme.

The first phase of WGC started in Sept 2020 via remote learning and training where teachers were given four (4) sessions of online water education training conducted by WWP. The second phase of WGC involves a 6-months project implementation period to commence in early 2021. The programme is expected to produce long term outcome in water stewardship practices among communities.

Charity Book Donation

In order to foster interest toward education and nurture the love for reading, we collaborated with Friends to Mankind, an international non-profit organisation to collect preloved books from our employees. All donated books were channelled to #TheBookEffect project. It is a year-long project organised by Friends of Mankind, dedicated to collecting 10,000 books and building libraries for various orphanages and refugee schools across Klang Valley.

Philanthropic Giving

In line with the Group's commitment of 'Transforming lives for the better', we identify opportunities to support charitable causes and initiatives to the vulnerable and those in need. All of our community investments adhere to the Group's donation policy to ensure that all initiatives we support are compatible with our business activities and reflect our commitment to operate in an ethical manner.

Supporting front-liners to combat the COVID-19 pandemic

The COVID-19 has adversely impacted every industry especially our healthcare system and also underprivileged communities. At the height of the COVID-19 pandemic last year, the Group contributed RM100,000 to The Star Foundation to provide essential medical supplies and equipment for healthcare professionals as well as frontliners who put their lives at risk battling the pandemic every day.

Contribution for the needy groups

In FY2020, we donated more than RM16,000 to various charity homes namely Pusat Bantuan Sentul, Yayasan Orang Buta Malaysia, Pertubuhan Kebajikan Mental Selangor and Squad 69 PDRM Sabah.

Besides that, Salcon staff shared the joy of Christmas by giving gifts to the children of Rumah K.I.D.S, Subang Jaya based on their wish list. Employees also donated cash which was then channelled to groceries and necessities for the home. Rumah K.I.D.S is a charitable home for the orphaned, abused and abandoned children.

➤ *Salcon's employees shared the joy of Christmas with the children of Ruman K.I.D.S.*

Local employment

In line with our commitment to **SDG 8: Decent work and economic growth**, we support local employment and prioritise the local community at our operation areas in terms of job opportunities to drive the local economy.

PROTÉGÉ & INTERNSHIP PROGRAMME

It is our priority to provide opportunities to local graduates to help them recognise their potential and talent through our internship programmes. To date, we have benefitted 8 graduates under the Malaysian government Professional Training and Education for Growing Entrepreneurs (PROTEGE) programme. Our involvement in the programme underlines our commitment in developing youth and talent.

protégé

Total graduates for Protégé Programme
8

Community Rights

The Group is cognizant that our business activities especially at the project sites may cause disruptions and affect the well-being of communities where we operate in. We are committed to promoting transparent and proactive engagement with communities in a timely, honest and culturally appropriate manner at appropriate stages throughout the life-cycle of projects. This is achieved through an open exchange of information during community briefings which serve to inform the communities on what to expect throughout the project period and helps to minimize any potential disruptions.

We have also established grievance mechanisms at the operational level, from the start of our activities to provide various channels for the residents to report any wrongdoings in relation to the project or lodge any complaint. The public complaint form is available at project sites in English and Bahasa Malaysia. To date, there was no case of human rights violation reported in FY2020.

MOVING FORWARD

As we progress into embedding sustainability throughout our value chain, we continue to identify areas for improvement in our operations to address gaps in performance. We look forward to strengthen our relationships with stakeholders through active engagement to gauge their expectations of the business. Through these efforts, we aim to promote the sustainable growth of our business and ensure long-term success.

GOVERNANCE STATEMENT

Overview on how we uphold the highest standards of governance, guiding our businesses and operations and commitment to maintain a sound and effective control and risk management system.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Salcon Berhad ("Salcon" or "the Company") presents this statement, to provide all stakeholders, with an overview of the Corporate Governance ("CG") practices ("Practices") of the Company for the financial year 2020. This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

COMMITMENT FROM THE BOARD

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

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

COMPLIANCE WITH MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the financial year 2020 except:

- Practice 7.2 (The Board discloses on a named basis the top five (5) senior management's remuneration in band of RM 50,000)
- Practice 12.2 (All Directors attend General Meeting to provide meaningful response)
- Practice 12.3 (Companies with large number of shareholders should leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meeting)

The Corporate Governance Report provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the financial year 2020.

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

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

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

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

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, which reviews and make recommendations to the Board on specific areas. There are currently five (5) Board Committees appointed by the Board, namely:

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

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

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

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

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

There is a clear division of responsibilities to ensure balance of authority and power, as the roles of the Chairman and the ED are distinct and separate. The Chairman of the Group, Tan Sri Abdul Rashid bin Abdul Manaf, is an Independent Non-Executive Director ("INED") who leads the Board with dedication and focuses on the compliance and good corporate governance practices. The duties and responsibilities of the Board, Chairman and ED are clearly established and set out in the Board Charter.

The Board is supported by two (2) suitably qualified and competent Company Secretaries. All members of the Board have access to the advice and services of the Company Secretaries on all secretarial matters relating to the Group, to assist them in exercising their duties. The Board is satisfied with the performances and supports rendered by the Company Secretaries, in assisting the Board, in the discharge of their duties. The Board is regularly updated and kept informed of the requirements issued by regulatory authorities, including the latest developments in the legislations and regulatory framework affecting the Group.

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

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

In order to support the principle of zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders and to comply with Section 17A of Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Anti-Corruption Policy ("ABAC") has been adopted and implemented by the Group in year 2020. This is to ensure the Group has in placed adequate procedure to prevent and detect bribery and corruption.

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

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

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

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

For financial year 2020, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

The WBP can be viewed on the Company's website,
https://www.salcon.com.my/About-Us/corporate-governance

BOARD COMPOSITION

During the financial year under review, the Board comprises four (4) Independent Directors and three (3) Non-Independent Directors. Thus, the Board's composition has fully complied with the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") for Independent Non-Executive Directors to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCCG Practice 4.1; whereby at least half of the Board's composition comprises Independent Directors.

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

For the forthcoming Annual General Meeting, Dato' Leong Kok Wah and Mr Chan Seng Fatt will retire pursuant to Clause 76(3) of the Company's Constitution, and being eligible, offer themselves for re-election.

NOMINATION

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

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

During the financial year 2020, Datin Goh Phaik Lynn has been appointed as a member of the AC on 30 June 2020 based on the recommendation from the NC after having considered the relevant skills, knowledges, expertise, experience and composition of the AC, to replace Dato' Choong Moh Kheng who has tendered his resignation as Audit Committee member effective on the same day.

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

The Board has through the NC assessed the training needs of each director on an annual basis and recommended the relevant trainings to each Director for their participation. The NC is satisfied that the Directors have attended trainings to enable them to discharge their duties. Details of trainings attended by the Directors for the financial year 2020 are set out under "Additional Compliance Information" under page 94 of this Annual Report.

A formal evaluation, in the form of self and peer evaluation, are conducted each year by the NC, to assess the effectiveness of the Board, its Committees and individual Directors. The NC conducted year 2020 performance evaluations, with the assistance from the internal secretarial team, on 23 February 2021. The areas reviewed covered; Board composition and skill matrix of respective Directors, Board's responsibilities, independence of the Independent Directors, integrity in dealing with potential conflict of interest situation; and performances of the Company's Senior Management. Subsequent to the reviews/evaluations, the result will be summarized and recommended to the Board for review and notation.

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

REMUNERATION

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

Detailed information on the Directors' remuneration packages for financial year 2020 on a named basis, are disclosed under "Additional Compliance Information" under page 95 of this Annual Report.

The Company has, for financial year 2020, departed from Practice 7.2 of the MCCG which requires disclosure of the remuneration of the top 5 Senior Management personnel on a named basis in bands of RM50,000 as the Board is of the view that such information, if disclosed, raises personal security concerns on the part of the Senior Management personnel and could result in employee poaching by competitors. The alternative form of disclosure is set out in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

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

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

The Audit Committee Report details its composition, Internal Audit functions and activities during the year 2020, are set out on page 88 of this Annual Report.

The effectiveness, performance and independence of the External Auditor ("EA") i.e. Messrs. KPMG PLT ("KPMG"), is reviewed annually by the AC. KPMG has provided written assurance and confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement for the financial year 2020.

The AC has on 23 February 2021, reviewed the suitability and independence of KPMG, and is satisfied with the performances and independence of KPMG. Thus, the AC has recommended to the Board to table the re-appointment of KPMG, as EA for the following financial year at the 18th Annual General Meeting ("AGM") for shareholders' approval. During the financial year, KPMG has attended two (2) out of five (5) AC meetings; to discuss their audit plan, findings and financial statements. KPMG further highlighted applicable matters that required the AC's attention, inclusive of remedial actions to be undertaken within an appropriate time frame.

During financial year 2020, the EA met the AC twice without the presence of the Executive Directors and employee, to provide objective feedback on any issues of concern and pertinent matters.

The AC has considered the provision of non-audit services by the EA, and concluded that these services did not compromise with their independence and objectivity; as the amount of the non-audit fees paid as compared to the total audit fees, were not significant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the financial year 2020 was RM651,588 and RM35,000 respectively.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Details of the risk management framework, internal control system and activities carried out, are set out in the Statement of Risk Management & Internal Control ("SORMIC") on page 90 of this Annual Report.

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

COMMUNICATION WITH STAKEHOLDERS

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

CONDUCT OF GENERAL MEETINGS

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

The Board had appointed Mr Chan Seng Fatt to chair the 17th AGM held on 29 July 2020 as the Chairman of the Board was unable to present at the meeting due to unforeseen circumstance which required his personal attention. The Chairman of the Meeting encouraged shareholders to raise questions during the AGM, before putting the resolutions to vote. Six (6) Directors, along with the Chief Operating Officer, Chief Financial Officer and EA were present to respond to the shareholders' queries, where applicable and necessary. Further, in line with good corporate governance practices, at least twenty-eight (28) days' notice has been given to the shareholders prior to the AGM.

This Corporate Governance Overview Statement was approved by the Board on 23 February 2021.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") presents its report that provides insights into the manner in which the AC discharges its duties for the Group in year 2020.

COMPOSITION AND ATTENDANCE

The AC comprises three (3) members, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This composition meets the requirements as stated in Paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements").

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

	Name	Designation	Attendance
1	Chan Seng Fatt (Chairman)	Independent Non-Executive Director	5/5
2	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5
3	Dato' Choong Moh Kheng (Resigned on 30 June 2020)	Independent Non-Executive Director	3/3
4	Datin Goh Phaik Lynn (Appointed on 30 June 2020)	Non-Independent Non-Executive Director	2/2

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

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

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

MEETINGS

The AC held five (5) meetings in FY2020. The Chief Operating Officer, Chief Financial Officer ("CFO") and Head of Internal Audit were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group's activities. The External Auditors ("EA"), Messrs. KPMG PLT, were invited to participate in the meetings, where necessary.

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

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

During the AC meeting held in February 2020, the EA confirmed that they were provided unfettered access to information and enjoyed full cooperation from the Management throughout the course of their audits. The EA were also invited to raise any matters that they considered important, for the AC's attention. The AC had met the EA twice, without the presence of the Company's Executive Directors and employees. During these two (2) meetings, the AC enquired about the Company Management's co-operation with the EA, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

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

SUMMARY OF ACTIVITIES OF AC

The AC's activities during the FY ended 31 December 2020 comprised the following:

- On 24 February 2020, the AC reviewed and recommended to the Board the payment of final dividend for the FY 2019. The AC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed on the re-appointment. The AC, being satisfied with performance of the EA;

recommended to the BOD, the re-appointment of Messrs KPMG PLT, as EA for the FY ending 31 December 2020. The AC also reviewed adequacy of the scope, functions, competency and resources of the internal audit function.

On 13 April 2020, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2019, and subsequently recommended them to the BOD for approval.

- On 23 November 2020, the AC reviewed the Annual Audit Plan for the FY2020 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc on the financial statements. The recurring non-audit services, covers annual review of the Statement on Risk Management and Internal Control ("SORMIC"). The AC having considered the nature and scope of non-audit works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- On Financial Reporting, the AC reviewed the quarterly financial statements during the AC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2019 was conducted on 24 February 2020; and the reviews of the quarterly results of first, second and third quarters for FY2020, were conducted on 23 June 2020, 25 August 2020 and 23 November 2020 respectively.

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

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

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

INTERNAL AUDIT FUNCTION

The Group's internal audit function is performed in-house by the Internal Audit & Risk Management Department ("IARMD"), which reports directly to the AC. All internal audit activities for the FY ended 31 December 2020 were conducted by IARMD.

No areas of the internal audit function were outsourced. The total cost incurred by the Group's internal audit function for the year under review was approximately RM507,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 10.2.

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

- IARMD conducted audit review activities as per the 2020 Audit Plan which was approved by the AC on 18 November 2019.

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

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

- The scope of audit engagements in FY2020 covered the following: -

    - Compliance to law and regulation;
    - Compliance with FTSE4Good Bursa Malaysia Index requirements;
    - Reliability of financial information;
    - Safeguarding of assets;
    - Attainment of objectives; and
    - Efficiency and economy implication

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Salcon Berhad ("Salcon" or "the Company") is committed to maintain a sound and effective internal control and risk management system. Each project and department of the Company and its subsidiaries ("the Group") has implemented its own control processes under the leadership of the Executive Members of the Board together with the Chief Operating Officer ("COO"), who are responsible for good business and regulatory governance. This statement outlines the nature and scope of the Group's internal control and risk management in 2020.

BOARD RESPONSIBILITIES

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

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

In 2020, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") based on the internal audits conducted by the in-house Internal Audit and Risk Management Department ("IARMD") during the year. Audit reports comprised of audit findings, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the AC meetings with Minutes duly recorded.

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

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

INTERNAL AUDIT FUNCTION

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

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

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

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

CONTROL PROCESSES AND RISKS

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

1. International Organisation for Standardization ("ISO") certifications:

    • Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad, is certified to ISO9001:2015 - Quality Management System ("QMS"), ISO14001:2015 - Environmental Management System ("EMS") and ISO45001:2018 – Occupational Health and Safety Management System ("OHSMS") at both the corporate office and at project levels.

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

- Under ISO 9001, ISO14001 and ISO45001 requirements, internal quality audits are conducted annually by Quality, Safety, Health and Environment ("QSHE") department to check, measure, analyze, review and improve on the performances of SEB's certifications; on both the corporate office and applicable projects.

2. Authority and Responsibilities

- The Board delegates certain duties and responsibilities to various Board Committees through the clearly defined Terms of Reference ("TOR").

The TORs are reviewed as and when necessary and are available at the Company's website, https://www.salcon.com.my/About-Us/corporate-governance

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

3. Monitoring and Reporting

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

4. Policies and Procedures

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

5. Audit

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

- The surveillance and re-certification audits for ISO9001:2015, ISO14001:2015 and ISO45001:2018 are conducted by Bureau Veritas.

- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2020. Nature of non-audit services provided is available within the Corporate Governance Overview Statement in this Annual Report.

6. Risk Management

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

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

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

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

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

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

- For 2020 and under continual improvement principles, IARMD is recalibrating the Company's risks assessment time frame for conformity with Salcon's financial reporting time frame. Additionally, IARMD is also taking the Company's 2020 year-end internal restructuring into consideration, and for further reviews and inputs. Thus, the RMC meeting scheduled for 2020 will be deferred to 1st half of 2021.

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.

- QSHE 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 contains 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 Staff

- 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 has an Insider Trading Policy ("ITP") to provide guidance and ascertain material non-public information is not misused.

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

  During 2020, the Company did not receive any report or incidences from whistle blowers on any possible or potential misconduct from employees, management, public or stakeholders.

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

During 2020, the Company did not receive any report or incidences from whistle blowers on any possible or potential bribery or corruption from employees, management or business associates.

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

10. Insurance

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

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

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG")3 (previously Recommended Practice Guide ("RPG") 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

(b) is factually inaccurate.

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

Conclusion

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the Executive Director and Director - Corporate Affairs & Finance/Chief Financial Officer that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement had been approved by the Board.

ADDITIONAL COMPLIANCE INFORMATION

1. ATTENDANCE / MEETING RECORDS OF DIRECTORS FOR FINANCIAL YEAR ENDED 2020

			Number of Meetings Attended				
No	Name	Designation	BOD	AC	NC	RC	SC
1	Tan Sri Abdul Rashid bin Abdul Manaf	Independent Non-Executive Director/ Chairman	5/5	N/A	N/A	N/A	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	5/5	N/A	N/A	N/A	2/2
4	Dato' Choong Moh Kheng	Independent Non-Executive Director	5/5	*3/3	1/1	1/1	N/A
5	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5	5/5	1/1	1/1	2/2
6	Chan Seng Fatt	Independent Non-Executive Director	5/5	5/5	1/1	1/1	N/A
7	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	#2/2	N/A	N/A	N/A

Note:
BOD - Board of Directors
AC - Audit Committee
NC - Nomination Committee
RC - Remuneration Committee
SC - Sustainability Committee
N/A - Not Applicable
* resigned as an Audit Committee member on 30 June 2020
# appointed as an Audit Committee member on 30 June 2020

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FINANCIAL YEAR ENDED 2020

Name	Training	Date
Tan Sri Abdul Rashid bin Abdul Manaf	Optimising Risk and Resilience Planning to Manage Disruptions Fraud Risk Management Workshop Anti-Bribery & Anti-Corruption ("ABAC") Master Class for the Board of Directors Transformation towards recovery, Session 2: Operational Resilience	25-Aug-20 3-Dec-20 5-May-20 9-Oct-20
Tan Sri Dato' Tee Tiam Lee	Optimising Risk and Resilience Planning to Manage Disruptions	25-Aug-20
Dato' Leong Kok Wah	Optimising Risk and Resilience Planning to Manage Disruptions	25-Aug-20

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FINANCIAL YEAR ENDED 2020 (CONTINUED)

Name	Training	Date
Dato' Choong Moh Kheng	Optimising Risk and Resilience Planning to Manage Disruptions Transformation Towards Recovery	25-Aug-20 19-Oct-20
Dato' Rosli Bin Mohamed Nor	Optimising Risk and Resilience Planning to Manage Disruptions	25-Aug-20
Mr Chan Seng Fatt	Leadership in Distress: Corporate Malaysia & Covid 19 Optimising Risk and Resilience Planning to Manage Disruptions Briefing on 2021 Budget Highlights	14-Apr-20 25-Aug-20 12-Nov-20
Datin Goh Phaik Lynn	Optimising Risk and Resilience Planning to Manage Disruptions	25-Aug-20

THE DIRECTORS' REMUNERATION PACKAGES FOR THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 2020

Directors' remuneration	@ Tan Sri Abdul Rashid bin Abdul Manaf RM	# Tan Sri Dato' Tee Tiam Lee RM	# Dato' Leong Kok Wah RM	@ Dato' Choong Moh Kheng RM	@ Dato' Rosli bin Mohamed Nor RM	@ Chan Seng Fatt RM	@ Datin Goh Phaik Lynn RM
Salary	-	759,133.00	596,464.00	-	-	-	-
Bonus	-	39,745.00	31,230.00	-	-	-	-
Fees	100,000.00	-	-	70,000.00	70,000.00	70,000.00	70,000.00
Meeting allowances	5,000.00	-	-	5,000.00	7,000.00	6,000.00	3,500.00
Benefits-In-Kind	-	37,248.20	31,067.52	-	-	-	-
Statutory Contribution	-	98,256.00	77,200.00	-	-	-	-
	105,000.00	934,382.20	735,961.52	75,000.00	77,000.00	76,000.00	73,500.00

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

ADDITIONAL COMPLIANCE INFORMATION

STATUS OF UTILISATION OF PROCEEDS

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

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

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

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

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

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

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

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

The status of the utilisation of the proceeds as at 8 April 2021 arising from the disposals in respect of SPA-A is as follows:

Purpose	Proposed Utilisation (RM'000)	Utilised (RM'000)	Unutilised/(Over) (RM'000)
Future Investments	230,000	(191,656)	38,344
Repayment of borrowings	97,540	(97,540)	-
Distribution to shareholders	30,000	(40,556)	(10,556)
Working Capital	10,397	(38,121)	(27,724)
Defraying expenses incidental to the Proposed Disposal	1,437	(1,501)	(64)
Total	369,374	(369,374)	-

PRIVATE PLACEMENT

Salcon had on 28 September 2020 proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company (excluding treasury shares) ("**Private Placement**").

The Private Placement has been completed on 2 November 2020. A total of 165,300,000 new Salcon Shares were placed out pursuant to the Private Placement. The 139,000,000 and 26,300,000 placement shares, being the first and final tranche of the lacement shares, were listed and quoted on the Main Market of Bursa Securities on 22 October and 2 November 2020, respectively.

The status of the utilisation of the proceeds as at 8 April 2021 arising from the Private Placement is as follows:

Purpose	Proposed Utilisation (RM'000)	Utilised (RM'000)	Unutilised/(Over) (RM'000)
Business expansion/ Future investments	21,827	(28,560)	(6,733)
Working capital	11,834	(5,101)	6,733
Estimated expenses in relation to the Private Placement	150	(150)	-
Total	33,811	(33,811)	-

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 2020.

AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for the financial year ended 31 December 2020 are as follows:

	Company (RM)	Group (RM)
Audit Fees	175,000	651,588
Non-Audit Fees	35,000	35,000
Total Fees	210,000	686,588

ADDITIONAL COMPLIANCE INFORMATION

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

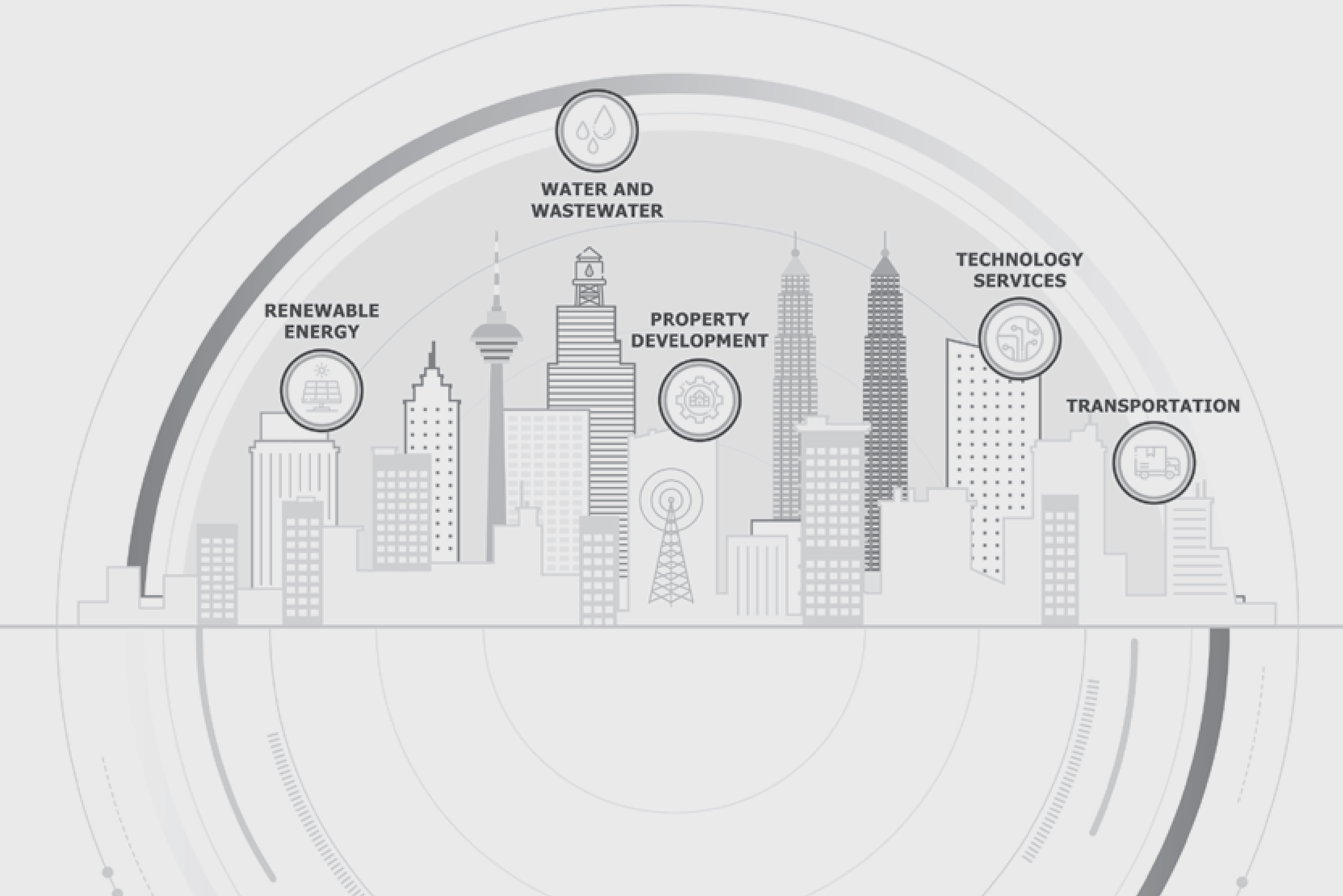
The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2020, the Group has:

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

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

FINANCIAL STATEMENTS

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



DIRECTORS' REPORT

for the year ended 31 December 2020

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 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(6,067)	4,809
Non-controlling interests	(1,990)	-
	(8,057)	4,809

RESERVES AND PROVISIONS

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

DIVIDENDS

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

i) In respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year:
- A first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company. The total number of treasury shares distributed was 27,663,917 shares or equivalent to RM6,436,000.

  The dividend was fully credited into the depositors' securities accounts of the entitled shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 19 August 2020.

ii) In respect of the financial year ended 31 December 2020:
- A first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2020 was recommended by the Directors 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 during the financial year until the date of this report are:

Tan Sri Abdul Rashid bin Abdul Manaf
Tan Sri Dato' Tee Tiam Lee
Dato' Leong Kok Wah
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor
Chan Seng Fatt
Datin Goh Phaik Lynn

DIRECTORS OF THE SUBSIDIARIES

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

Ooi Cheng Swee @ Wee Kwee Swee (Resigned on 31 December 2020)
Jamiluddin Amini Bin Sulaiman
Law Woo Hock
Lee Thim Loy
Low Ah Chye @ Low Beng Peow
Vergis Mathews a/l V V Mathew
Thomas Alexander Sjøberg
Liew Swee Choong
Tan Peng Kok
Cheok Yeow Kwang @ Chok Ah Soi (Demised on 30 October 2020)
Lee Thiam Lai (Resigned on 21 September 2020)
Ong Aun Kung (Resigned on 21 September 2020)
Png Chiew Chuan
Tan Ban Seng
Dato' Ding Pei Chai
Soh Yoke Yan
See Che Chi
Dato' Mohamad Taufik Bin Haji Omar
Motoki Kinoshita (Resigned on 31 March 2020)
Sajidharan Anantakrishnan (Resigned on 27 July 2020)
Liam Trevor Tierney (Resigned on 27 July 2020)
Ewe Tuan Hai (Resigned on 31 July 2020)
Sam Minh Tri
Leong Yi Shen (Appointed on 24 September 2020)
Tee Xun Hao (Appointed on 31 December 2020)
Wong Fuk Aen (Appointed on 24 September 2020)
Pung Wei Gin (alternate Director of Wong Fuk Aen) (Appointed on 24 September 2020)
Peh Ju Chai (Appointed on 4 December 2020)
Yoong Li Yen (alternate Director of Peh Ju Chai) (Appointed on 4 December 2020)
Dato' Lee Chung Wah @ Lee Chung Fu (Appointed on 6 October 2020)
Wong Shek (Appointed on 6 October 2020)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2020	Bought*	Sold	At 31.12.2020
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	52,695,516	1,817,085	-	54,512,601
Dato' Leong Kok Wah	4,913,793	169,441	-	5,083,234
Dato' Choong Moh Kheng	3,101,722	106,955	600,000	2,608,677
Deemed interest				
Tan Sri Dato' Tee Tiam Lee (1)	61,806,006	2,131,241	-	63,937,247
Dato' Leong Kok Wah (2)	91,464,247	3,153,938	-	94,618,185
Dato' Choong Moh Kheng (3)	8,809,924	303,790	213,714	8,900,000
Datin Goh Phaik Lynn (4)	96,378,040	3,323,379	-	99,701,419

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

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

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

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

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

None of the other Directors holding office at 31 December 2020 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' INTERESTS (CONTINUED)

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

	Number of Warrants 2018/2025			
	At 1.1.2020	**Acquired**	**Exercised/ Disposed**	**At 31.12.2020**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	20,375,600	-	-	20,375,600
Dato' Leong Kok Wah	1,900,000	-	-	1,900,000
Deemed interest				
Tan Sri Dato' Tee Tiam Lee (1)	23,898,323	-	-	23,898,323
Dato' Leong Kok Wah (2)	35,366,176	-	-	35,366,176
Dato' Choong Moh Kheng (3)	2,500,000	-	-	2,500,000
Datin Goh Phaik Lynn (4)	37,266,176	-	-	37,266,176

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

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than those disclosed in Note 33 to the financial statements.

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

DIRECTORS' REPORT
for the year ended 31 December 2020

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued a total of 165,300,000 new ordinary shares via a private placement for a total cash consideration of RM33,811,500.

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

The movements in the treasury shares are disclosed in Note 17.2 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity insurance coverage provided and the corresponding insurance premium effected for all Directors and other officers of the Company and its subsidiaries, joint ventures and associates are RM10,000,000 and RM15,600 respectively. There were no indemnity given to or insurance effected for auditors of the Company.

OTHER STATUTORY INFORMATION

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

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

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

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.

OTHER STATUTORY INFORMATION (CONTINUED)

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 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

The significant events during the financial year are disclosed in Note 35 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events after the end of the financial year are disclosed in Note 36 to the financial statements.

AUDITORS

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

The auditors’ remuneration is disclosed in Note 25 to the financial statements.

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

Tan Sri Dato’ Tee Tiam Lee
Director

Dato’ Leong Kok Wah
Director

Kuala Lumpur
Date: 8 April 2021

STATEMENTS OF FINANCIAL POSITION

at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, plant and equipment	3	17,891	21,794	-	-
Right-of-use assets	4	11,192	12,390	-	65
Intangible assets	5	23,740	25,597	-	-
Investment properties	6	9,924	9,924	-	-
Investments in subsidiaries	7	-	-	88,024	88,570
Investments in associates	8	17,341	17,052	249	344
Investments in joint ventures	9	29,415	32,344	23,500	23,500
Other investments	10	8,932	4,053	8,932	4,053
Deferred tax assets	11	3,688	3,698	-	-
Trade and other receivables	12	12,130	10,924	271,094	270,934
Total non-current assets		134,253	137,776	391,799	387,466
Trade and other receivables	12	128,995	107,286	12,722	9,412
Contract assets	13	65,288	70,170	-	-
Inventories	14	110,096	131,763	-	-
Other investment	10	9,404	3,206	-	-
Current tax assets		2,524	1,138	-	-
Prepayments		851	1,114	-	-
Cash and cash equivalents	15	142,836	121,344	103,429	79,044
		459,994	436,021	116,151	88,456
Asset classified as held for sale	16	-	494	-	-
Total current assets		459,994	436,515	116,151	88,456
Total assets		594,247	574,291	507,950	475,922

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Equity					
Share capital		458,276	424,465	458,276	424,465
Reserves		4,023	2,617	(3,349)	(4,400)
(Accumulated losses)/ Retained earnings		(16,785)	1,154	28,439	30,066
Total equity attributable to owners of the Company	17	445,514	428,236	483,366	450,131
Non-controlling interests		22,249	20,989	-	-
Total equity		467,763	449,225	483,366	450,131
Liabilities					
Loans and borrowings	18	5,057	5,773	-	-
Lease liabilities		1,507	2,359	-	-
Deferred tax liabilities	11	5,818	6,833	-	-
Total non-current liabilities		12,382	14,965	-	-
Trade and other payables	19	77,358	84,854	23,996	25,613
Contract liabilities	13	7,174	5,601	-	-
Loans and borrowings	18	27,008	18,329	-	83
Lease liabilities		1,311	1,115	-	-
Current tax liabilities		1,251	202	588	95
Total current liabilities		114,102	110,101	24,584	25,791
Total liabilities		126,484	125,066	24,584	25,791
Total equity and liabilities		594,247	574,291	507,950	475,922

The notes on pages 117 to 210 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Continuing operations					
Revenue	20	194,148	191,292	58	563
Cost of sales		(179,645)	(165,149)	-	-
Gross profit		14,503	26,143	58	563
Other income		21,369	9,354	9,936	6,897
Distribution expenses		(1,108)	(2,162)	(20)	(35)
Administrative expenses		(36,435)	(49,913)	(7,878)	(10,348)
Other expenses		(2,407)	(6,692)	(825)	(14,414)
Net (loss)/gain on impairment of financial instruments and contract assets		(2,911)	2,328	(319)	3,186
Results from operating activities		(6,989)	(20,942)	952	(14,151)
Finance income		2,142	2,872	4,805	6,056
Finance costs	22	(2,464)	(3,320)	(1)	(9)
Operating (loss)/profit		(7,311)	(21,390)	5,756	(8,104)
Share of (loss)/profit of equity-accounted associates/joint ventures, net of tax		(1,439)	14,059	-	-
(Loss)/Profit before tax		(8,750)	(7,331)	5,756	(8,104)
Tax expense	23	(995)	(2,419)	(947)	(320)
(Loss)/Profit from continuing operations		(9,745)	(9,750)	4,809	(8,424)
Discontinued operations					
Profit from discontinued operations, net of tax	24	1,688	783	-	-
(Loss)/Profit for the year	25	(8,057)	(8,967)	4,809	(8,424)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Other comprehensive income/(expense), net of tax					
Item that is or maybe reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	26	6,154	(8,937)	-	-
Other comprehensive income/(expense) for the year, net of tax		6,154	(8,937)	-	-
Total comprehensive (expense)/income for the year		(1,903)	(17,904)	4,809	(8,424)
(Loss)/Profit attributable to:					
Owners of the Company		(6,067)	(8,651)	4,809	(8,424)
Non-controlling interests		(1,990)	(316)	-	-
(Loss)/Profit for the year		(8,057)	(8,967)	4,809	(8,424)
Total comprehensive (expense)/income, attributable to:					
Owners of the Company		(686)	(17,550)	4,809	(8,424)
Non-controlling interests		(1,217)	(354)	-	-
Total comprehensive (expense)/income for the year		(1,903)	(17,904)	4,809	(8,424)
Basic (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(0.88)	(1.12)		
from discontinued operations		0.18	0.09		
		(0.70)	(1.03)		
Diluted (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(0.88)	(1.12)		
from discontinued operations		0.18	0.09		
		(0.70)	(1.03)		

The notes on pages 117 to 210 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2020

		Attributable to Owners of the Company						
		Non-distributable			Distributable			
Group	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2019		424,465	(7,375)	15,916	18,155	451,161	21,850	473,011
Foreign currency translation differences for foreign operations	26	-	-	(8,899)	-	(8,899)	(38)	(8,937)
Total other comprehensive expense for the year		-	-	(8,899)	-	(8,899)	(38)	(8,937)
Loss for the year		-	-	-	(8,651)	(8,651)	(316)	(8,967)
Total comprehensive expense for the year		-	-	(8,899)	(8,651)	(17,550)	(354)	(17,904)
Contributions by and distributions to owners of the Company								
Own shares acquired	17.2	-	(4,643)	-	-	(4,643)	-	(4,643)
Dividends to owners of the Company	28	-	7,618	-	(7,618)	-	-	-
		-	2,975	-	(7,618)	(4,643)	-	(4,643)
Changes in ownership interest in subsidiaries		-	-	-	(732)	(732)	732	-
Dividends to non-controlling interests		-	-	-	-	-	(1,239)	(1,239)
Total transactions with owners of the Company		-	2,975	-	(8,350)	(5,375)	(507)	(5,882)
At 31 December 2019		424,465	(4,400)	7,017	1,154	428,236	20,989	449,225
		Note 17.1	Note 17.2	Note 17.3				

Group	Note	Share capital RM'000	Treasury shares RM'000	Translation reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
		← *Attributable to Owners of the Company* →						
		← *Non-distributable* →			*Distributable*			
At 1 January 2020		424,465	(4,400)	7,017	1,154	428,236	20,989	449,225
Foreign currency translation differences for foreign operations	26	-	-	5,381	-	5,381	773	6,154
Total other comprehensive income for the year		-	-	5,381	-	5,381	773	6,154
Loss for the year		-	-	-	(6,067)	(6,067)	(1,990)	(8,057)
Total comprehensive income/ (expense) for the year		-	-	5,381	(6,067)	(686)	(1,217)	(1,903)
Contributions by and distributions to owners of the Company								
Issue of ordinary shares	17.1	33,811	-	-	-	33,811	-	33,811
Own shares acquired	17.2	-	(5,385)	-	-	(5,385)	-	(5,385)
Dividends to owners of the Company	28	-	6,436	-	(6,436)	-	-	-
		33,811	1,051	-	(6,436)	28,426	-	28,426
Changes in ownership interest in subsidiaries	35	-	-	(5,026)	(5,436)	(10,462)	4,477	(5,985)
Disposal of interest in subsidiaries	24	-	-	-	-	-	(2,000)	(2,000)
Total transactions with owners of the Company		33,811	1,051	(5,026)	(11,872)	17,964	2,477	20,441
At 31 December 2020		458,276	(3,349)	7,372	(16,785)	445,514	22,249	467,763
		Note 17.1	Note 17.2	Note 17.3				

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2020

		Attributable to Owners of the Company			
		Non-distributable		*Distributable*	
Company	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2019		424,465	(7,375)	46,108	463,198
Loss and total comprehensive expense for the year		-	-	(8,424)	(8,424)
Contributions by and distributions to owners of the Company					
Own shares acquired	17.2	-	(4,643)	-	(4,643)
Dividends to owners of the Company	28	-	7,618	(7,618)	-
Total transactions with owners of the Company		-	2,975	(7,618)	(4,643)
At 31 December 2019/1 January 2020		424,465	(4,400)	30,066	450,131
Profit and total comprehensive income for the year		-	-	4,809	4,809
Contributions by and distributions to owners of the Company					
Own shares acquired	17.2	-	(5,385)	-	(5,385)
Issue of ordinary shares	17.1	33,811	-	-	33,811
Dividends to owners of the Company	28	-	6,436	(6,436)	-
Total transactions with owners of the Company		33,811	1,051	(6,436)	28,426
At 31 December 2020		458,276	(3,349)	28,439	483,366
		Note 17.1	Note 17.2		

The notes on pages 117 to 210 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash flows from operating activities				
(Loss)/Profit before tax				
- continuing operations	(8,750)	(7,331)	5,756	(8,104)
- discontinued operations	1,688	783	-	-
	(7,062)	(6,548)	5,756	(8,104)
Adjustments for:				
Amortisation of intangible assets	697	697	-	-
Depreciation of property, plant and equipment	3,549	3,730	-	-
Depreciation of right-of-use assets	2,608	2,062	65	226
Dividend income	(858)	(2,402)	(58)	(563)
Finance costs	2,464	3,320	1	9
Finance income	(2,142)	(2,872)	(4,805)	(6,056)
Gain on disposal of equity-accounted associate	-	(808)	-	-
(Gain)/Loss on disposal of equity interest in subsidiaries	(1,431)	25	-	-
Loss on dilution of shareholdings in subsidiaries	-	-	265	-
Net fair value gain on other investment	(1,677)	(1,787)	(1,677)	(1,787)
Impairment loss on investment in subsidiaries	-	-	180	9,531
Impairment loss on investment in associates	-	6,192	95	1,584
Impairment loss on property, plant and equipment	-	37	-	-
Impairment loss on goodwill	1,160	-	-	-
Net impairment loss/(reversal of impairment loss) on trade receivables	185	(2,328)	-	-
Impairment loss on other receivables	2,726	-	-	-
Net impairment loss/(reversal of impairment loss) on amount due from subsidiaries	-	-	319	(3,186)
Gain on disposal of other investments	(2,431)	(377)	(2,431)	(377)
Gain on disposal of asset held for sale	(922)	-	-	-
Gain on disposal of property, plant and equipment	(22)	(50)	-	-
Property, plant and equipment written off	997	32	-	-
Share of profit/(loss) of equity-accounted associates/ joint ventures, net of tax	1,439	(14,059)	-	-
Unrealised foreign exchange differences	(1,545)	558	(1,013)	(317)
Other receivables written off	8	451	7	449

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities (continued)				
Operating loss before changes in working capital	(2,257)	(14,127)	(3,296)	(8,591)
Changes in trade and other receivables and prepayments	(18,263)	41,791	(3,021)	33,514
Changes in inventories	21,667	6,405	-	-
Changes in trade and other payables	(4,502)	10,599	(1,817)	(16,218)
Cash generated (used in)/from operations	(3,355)	44,668	(8,134)	8,705
Interest paid	(160)	(173)	-	-
Tax paid	(2,337)	(1,605)	(454)	(409)
Net cash (used in)/from operating activities	(5,852)	42,890	(8,588)	8,296
Cash flows from investing activities				
Acquisition of property, plant and equipment	(496)	(1,554)	-	-
Acquisition of other investments	(23,518)	(7,448)	(17,320)	(4,242)
Acquisition of investment properties	-	(2,217)	-	-
Acquisition of non-controlling interests	(6,500)	-	-	-
Dividend received from:				
- Joint ventures	800	2,400	-	-
- Subsidiaries	-	-	-	561
- Other investments	58	2	58	2
Subscription of shares in subsidiaries	-	-	(491)	(2,990)
Subscription of shares in an associate	-	(1,634)	-	(1,634)
Capital reduction in subsidiaries	515	-	17	-
Interest received	2,142	2,872	4,805	6,056
Net cash inflow from disposal of equity-accounted associate, net of cash and cash equivalents disposed of (Note 24)	-	13,128	-	-
Net cash outflow from disposal of a subsidiary, net of cash and cash equivalents disposed of (Note 24)	(32)	(2)	-	-
Proceeds from disposal of property, plant and equipment	22	87	-	-
Proceeds from disposal of asset held for sale	1,416	-	-	-
Proceeds from disposal of other investments	16,549	2,591	16,549	2,591
Net cash (used in)/generated from investing activities	(9,044)	8,225	3,618	344

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash flows from financing activities				
Dividends paid to non-controlling interests	(700)	(1,099)	-	-
Drawdown from borrowings	14,803	3,003	-	-
Interest paid	(2,304)	(3,147)	(1)	(9)
Proceeds from issue of share capital	33,811	-	33,811	-
Repayment of finance lease liabilities	(1,393)	(2,488)	(83)	(216)
Repayment of lease liabilities	(2,045)	(1,275)	-	-
Repayment of borrowings	(5,112)	(25,454)	-	-
Repurchase of treasury shares	(5,385)	(4,643)	(5,385)	(4,643)
Net cash generated from/(used in) financing activities	31,675	(35,103)	28,342	(4,868)
Net increase in cash and cash equivalents	16,779	16,012	23,372	3,772
Cash and cash equivalents at beginning of the year	119,884	113,687	79,044	74,955
Effect of exchange rate fluctuations on cash held	5,413	(9,815)	1,013	317
Cash and cash equivalents at end of the year	142,076	119,884	103,429	79,044

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	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deposits placed with licensed banks	15	63,770	85,874	43,807	75,656
Cash and bank balances	15	79,066	35,470	59,622	3,388
		142,836	121,344	103,429	79,044
Bank overdrafts	18	(730)	(1,430)	-	-
Pledged deposits	15	(30)	(30)	-	-
		142,076	119,884	103,429	79,044

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2020

Cash outflows for leases as a lessee

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Included in net cash from operating activities					
Payment relating to short-term leases	25	274	892	-	-
Payment relating to leases of low value assets	25	28	30	-	-
Interest paid in relation to lease liabilities		160	173	-	-
Included in net cash from financing activities					
Payment of lease liabilities		2,045	1,275	-	-
Total cash outflows for leases		2,507	2,370	-	-

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

Group	Lease liabilities RM'000	Total liabilities from financing activities RM'000
At 1 January 2019	4,749	4,749
Net changes from financing cash flows	(1,275)	(1,275)
At 31 December 2019/ 1 January 2020	3,474	3,474
Net changes from financing cash flows	(2,045)	(2,045)
Acquisition of new lease	1,389	1,389
At 31 December 2020	2,818	2,818

The notes on pages 117 to 210 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 2020 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 2020 do not include other entities.

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

These financial statements were authorised for issue by the Board of Directors on 8 April 2021.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts** and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

1. **Basis of preparation (continued)**

(a) **Statement of compliance (continued)**

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)**
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)**

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except for those marked with "*" which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 April 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for those marked with "*" which is not applicable to the Group and the Company.

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

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

1. Basis of preparation (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

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

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

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

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

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

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

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

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Joint arrangements (continued)

Joint arrangements are classified and accounted for as follows (continued):

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

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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

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

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

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

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

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

(b) Fair value through profit or loss

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

Amortised cost

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

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

(iii) Financial guarantee contracts

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

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

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

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

(iv) Derecognition

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

(e) Leases

(i) Definition of a lease

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

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

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

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

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

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

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

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

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

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

(b) As a lessor

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

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

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

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

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

(iii) Subsequent measurement

(a) As a lessee

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

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

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

(b) As a lessor

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

(f) Intangible assets

(i) Goodwill

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

2. **Significant accounting policies (continued)**

(f) **Intangible assets (continued)**

(ii) **Research and development**

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

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

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

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

(iii) **Land use rights**

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

(iv) **Other intangible assets**

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

(v) **Amortisation**

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

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

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

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

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

2. Significant accounting policies (continued)

(g) Investment properties

(i) Investment properties carried at fair value

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

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

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

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

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

(ii) Reclassification to/from investment property

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

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

2. **Significant accounting policies (continued)**

(h) Inventories

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

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

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

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

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

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

(i) Non-current assets held for sale

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

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

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

(j) Contract asset/Contract liability

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

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

2. Significant accounting policies (continued)

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets

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

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

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

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.

2. Significant accounting policies (continued)

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

(iv) Distribution of assets to owners of the Company

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

(n) Employee benefits

(i) Short-term employee benefits

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

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

2. **Significant accounting policies (continued)**

(n) **Employee benefits (continued)**

(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.

(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.

(p) **Revenue and other income**

(i) **Revenue from contracts with customers**

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

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

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

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

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

(ii) **Rental income**

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

2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(iii) Dividend income

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

(iv) Interest income

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

(q) Borrowing costs

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

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

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

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

(r) Income tax

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

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

2. **Significant accounting policies (continued)**

(r) **Income tax (continued)**

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

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

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

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

(s) **Discontinued operations**

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

(t) **Earnings per ordinary share**

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

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

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

2. Significant accounting policies (continued)

(u) Operating segments

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

(v) Contingencies

(i) Contingent liabilities

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

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

(ii) Contingent assets

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

(w) 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.

2. Significant accounting policies (continued)

(w) Fair value measurements (continued)

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

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

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

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 January 2019	733	4,726	14,377	28,486	4,733	909	53,964
Additions	-	313	-	875	366	-	1,554
Disposals	-	-	(29)	(274)	(15)	-	(318)
Derecognition through disposal of subsidiaries	-	-	-	-	(1)	-	(1)
Write-off	-	-	(29)	-	(34)	-	(63)
Effect of movements in exchange rates	-	-	299	(1)	1	-	299
At 31 December 2019/1 January 2020	733	5,039	14,618	29,086	5,050	909	55,435
Additions	-	22	-	23	451	-	496
Transfer	-	-	-	463	-	(463)	-
Disposals	-	-	-	-	(80)	-	(80)
Derecognition through strike-off of subsidiaries	-	-	-	-	(54)	-	(54)
Write-off	-	-	(1,471)	-	(81)	-	(1,552)
Effect of movements in exchange rates	-	-	231	(2)	4	-	233
At 31 December 2020	733	5,061	13,378	29,570	5,290	446	54,478

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss							
At 1 January 2019							
Accumulated depreciation	-	408	4,640	20,554	3,896	-	29,498
Accumulated impairment loss	-	-	601	-	-	-	601
	-	408	5,241	20,554	3,896	-	30,099
Depreciation for the year	-	101	543	2,729	357	-	3,730
Disposals	-	-	(8)	(261)	(12)	-	(281)
Derecognition through disposal of subsidiaries	-	-	-	-	(1)	-	(1)
Impairment loss	-	-	-	37	-	-	37
Write-off	-	-	(8)	-	(23)	-	(31)
Effect of movements in exchange rates	-	-	90	-	(2)	-	88
At 31 December 2019/1 January 2020							
Accumulated depreciation	-	509	5,243	23,022	4,215	-	32,989
Accumulated impairment loss	-	-	615	37	-	-	652
	-	509	5,858	23,059	4,215	-	33,641

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment loss (continued)							
At 31 December 2019/1 January 2020							
Accumulated depreciation	-	509	5,243	23,022	4,215	-	32,989
Accumulated impairment loss	-	-	615	37	-	-	652
	-	509	5,858	23,059	4,215	-	33,641
Depreciation for the year	-	103	534	2,550	362	-	3,549
Disposals	-	-	-	-	(80)	-	(80)
Derecognition through disposal of subsidiaries	-	-	-	-	(50)	-	(50)
Write-off	-	-	(490)	-	(65)	-	(555)
Effect of movements in exchange rates	-	-	79	-	3	-	82
At 31 December 2020							
Accumulated depreciation	-	612	5,356	25,572	4,385	-	35,925
Accumulated impairment loss	-	-	625	37	-	-	662
	-	612	5,981	25,609	4,385	-	36,587
Carrying amounts							
At 1 January 2019	733	4,318	9,136	7,932	837	909	23,865
At 31 December 2019/1 January 2020	733	4,530	8,760	6,027	835	909	21,794
At 31 December 2020	733	4,449	7,397	3,961	905	446	17,891

3.1 Pledged assets

Included in the net book value of buildings are amounts of RM1,390,000 (2019: RM1,420,000) charged to a licensed bank for facility granted to the Group (Note 18.1).

4. Right-of-use assets

	Note	Land RM'000	Buildings RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group						
At 1 January 2019		311	4,166	272	9,554	14,303
Additions		-	-	-	660	660
Depreciation	4.1	(230)	(1,067)	(90)	(1,186)	(2,573)
At 31 December 2019/ 1 January 2020		81	3,099	182	9,028	12,390
Additions		77	1,312	-	365	1,754
Depreciation	4.1	(68)	(1,766)	(91)	(1,027)	(2,952)
At 31 December 2020		90	2,645	91	8,366	11,192

	Note	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2019		291	291
Depreciation	4.1	(226)	(226)
At 31 December 2019/1 January 2020		65	65
Depreciation	4.1	(65)	(65)
At 31 December 2020		-	-

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

4.1 Depreciation capitalised in carrying amount of another asset

	2020		2019	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Recognised in profit or loss	2,608	65	2,062	226
Capitalised into work-in-progress	344	-	511	-
	2,952	65	2,573	226

4.2 Right-of-use assets under finance lease

Included in the right-of-use assets of the Group are motor vehicles acquired under finance lease agreements with net book value of RM310,000 (2019: Nil).

4. Right-of-use assets (continued)

4.3 Extension options

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

4.4 Significant judgements and assumptions in relation to lease

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

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

5. Intangible assets

Group	Goodwill RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
Cost				
At 1 January 2019/31 December 2019/1 January 2020	13,357	18,148	3,302	34,807
Write-off	(8,513)	-	-	(8,513)
At 31 December 2020	4,844	18,148	3,302	26,294
Amortisation and impairment loss				
At 1 January 2019				
Accumulated amortisation	-	-	-	-
Accumulated impairment loss	(8,513)	-	-	(8,513)
	(8,513)	-	-	(8,513)
Amortisation for the year	-	(284)	(413)	(697)
At 31 December 2019/1 January 2020				
Accumulated amortisation	-	(284)	(413)	(697)
Accumulated impairment loss	(8,513)	-	-	(8,513)
	(8,513)	(284)	(413)	(9,210)

5. Intangible assets (continued)

Group	Goodwill RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
Amortisation and impairment loss (continued)				
At 31 December 2019/1 January 2020				
Accumulated amortisation	-	(284)	(413)	(697)
Accumulated impairment loss	(8,513)	-	-	(8,513)
	(8,513)	(284)	(413)	(9,210)
Amortisation for the year	-	(284)	(413)	(697)
Impairment loss	(1,160)	-	-	(1,160)
Write-off of impairment loss	8,513	-	-	8,513
31 December 2020				
Accumulated amortisation	-	(568)	(826)	(1,394)
Accumulated impairment loss	(1,160)	-	-	(1,160)
	(1,160)	(568)	(826)	(2,554)
Carrying amounts				
At 1 January 2019	4,844	18,148	3,302	26,294
At 31 December 2019/1 January 2020	4,844	17,864	2,889	25,597
At 31 December 2020	3,684	17,580	2,476	23,740

Goodwill

Impairment testing for cash-generating units containing goodwill

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

Group	2020 RM'000	2019 RM'000
Wastewater projects	3,684	3,684
Transportations	-	1,160
At 31 December 2020	3,684	4,844

The goodwill impairment test was based on recoverable amount of each cash-generating units determined by the management. The recoverable amounts have been determined based on its value-in-use. Value-in-use was derived from cash flow projections prepared based on financial budgets over a period of 5 years. Key assumptions used in preparing the financial budgets represents management's assessment of future trends in respective unit's industry with certain reference made to both external sources and internal sources (historical data).

5. Intangible assets (continued)

Goodwill (continued)

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

Wastewater projects unit

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:

- Cash flows were projected based on past experience, actual operating results attained in both year 2019 and year 2020 and 5 years cash flow projections were prepared. An average growth rate of 3.0% (2019: 5.0%) was incorporated into the projections.

- A post-tax discount rate of 11.6% (2019: 7.5%) 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 impairment assessment, there was no indication of impairment on goodwill of wastewater projects unit during the financial year. In addition, there were also assessment on the key assumptions used and sensitivity of such assumptions to impairment loss. Sensitivity to changes in assumptions are as follows:

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

(ii) A 5% decrease in future planned revenue would not result in impairment loss.

Transportations unit

During the financial year, the goodwill of transportations unit of RM1,160,000 was fully impaired as its carrying amount exceeds its recoverable amount.

Mobile commerce and tourism unit

Goodwill of mobile commerce and tourism unit of RM8,513,000 was derecognised during the year upon disposal of Salcon Xinlian Group Limited (refer note 35(i)).

Land use rights

Land use rights represent the right acquired by a group entity over a parcel of land for a duration until year 2082.

6. Investment properties

	Group 2020 RM'000	Group 2019 RM'000
At beginning of year	9,924	8,201
Additions	-	2,217
Transfer to assets held for sale	-	(494)
At end of year	9,924	9,924

Included in the above are:

	Group 2020 RM'000	Group 2019 RM'000
At fair value		
Freehold land	319	319
Freehold land and buildings	550	550
Leasehold land and buildings with unexpired lease period of more than 50 years	9,055	9,055
	9,924	9,924

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

	Group 2020 RM'000	Group 2019 RM'000
Direct operating expenses:		
- income generating investment properties	6	6

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2020		2019	
	Level 3 RM'000	Total RM'000	Level 3 RM'000	Total RM'000
Group				
Land	319	319	319	319
Buildings	9,605	9,605	9,605	9,605
	9,924	9,924	9,924	9,924

6. Investment properties (continued)

6.1 Fair value information (continued)

Level 3 fair value

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

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

Description of valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Sales comparison approach: Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.	Price per square foot (RM43 to RM645)	The estimated fair value would increase/ (decrease) if the price per square foot is higher/(lower)

Valuation processes applied by the Group for Level 3 fair value

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

7. Investments in subsidiaries

	Company	
	2020 RM'000	**2019 RM'000**
Cost of investment	97,462	103,935
Capital contribution to a subsidiary	7,130	7,130
	104,592	111,065
Less: Impairment losses	(16,568)	(22,495)
	88,024	88,570

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewage and wastewater facilities; - Provision of mechanical and electrical engineering services for general industries; and - Investment holding	100	100
Salcon Water (Asia) Limited *	Hong Kong	Investment holding	100	60
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant	51	51
Salcon Changzhou (HK) Limited *	Hong Kong	Investment holding	100	100
Salcon Xinlian Group Limited *	Hong Kong	Investment holding	-	51
Salcon Capital Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Power (HK) Limited +	Hong Kong	Sales of solar power products and solar energy	100	100
Salcon Water (HK) Limited *	Hong Kong	Dormant	100	100
Salcon Development Sdn. Bhd.	Malaysia	Investment holding	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	70
Satria Megajuta Sdn. Bhd. ^	Malaysia	Dormant	-	100
Salcon Petroleum Services (Labuan) Limited	Malaysia	Provision of petroleum related services	100	100
Salcon Xinlian Sdn. Bhd. ^	Malaysia	Investment holding	51	51
Salcon SER Sdn. Bhd. (f.k.a. Salcon Power Sdn. Bhd.) ^	Malaysia	Dormant	70	-
Fortune Command Sdn. Bhd. *	Malaysia	Dormant	80	-
Nusantara Jasakita Sdn. Bhd. *	Malaysia	Dormant	90	-
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiaries of Salcon Engineering Berhad (continued):				
Salcon SER Sdn. Bhd. (f.k.a. Salcon Power Sdn. Bhd.) ^	Malaysia	Dormant	-	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.	Malaysia	Provision of petroleum related services	100	100
Salcon Environmental Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Envitech Sdn. Bhd.	Malaysia	Design, building, operation and maintenance of wastewater and sewage treatment plants	60	60
Glitteria Sdn. Bhd. ^	Malaysia	Dormant	100	100
Bumi Tiga Enterprise Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon (Perak) Sdn. Bhd. @ ^	Malaysia	Dormant	40	40
Logit Sdn. Bhd. ^	Malaysia	Development and marketing of a web-based system	100	100
Salcon (Sarawak) Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Engineering Vietnam Company Limited ^	Vietnam	Dormant	100	100
Salcon WP Sdn Bhd (f.k.a. Digital Momentum)	Malaysia	Dormant	60	-
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiary of Salcon Water (Asia) Limited:				
Salcon Services (HK) Limited *	Hong Kong	Investment holding	-	60
Subsidiary of Salcon Capital Sdn. Bhd.:				
Eco-Coach & Tours (M) Sdn. Bhd.	Malaysia	Transportation services	51	51
Subsidiary of Salcon Xinlian Group Limited:				
Salcon Investment Consultation (Shanghai) Company Limited *	People's Republic of China	Dormant	-	51
Beijing Xinlian Yitong Technology Co. Ltd. *	People's Republic of China	Online tourism and marketing services	-	51

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiary of Salcon Xinlian Group Limited (continued):				
Circlic Sdn. Bhd. ^ #	Malaysia	Domain of mobile commerce	-	33
SignCharge Sdn. Bhd. ^ #	Malaysia	Technology startup in the business of building mobile identity infrastructure for the banking and mobile payment industry	-	33
Subsidiary of Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.:				
JTT Advisory Sdn. Bhd.	Malaysia	Promotional services	100	100
Subsidiary of Beijing Xinlian Yitong Technology Co. Ltd.:				
Shanghai Shanmao E-commerce Co. Ltd. * #	People's Republic of China	Travel e-commerce services	-	26
Subsidiaries of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd. @	Malaysia	Property development	50	50
Prestasi Kemas Sdn. Bhd.	Malaysia	Property development	70	70
Nusantara Megajuta Sdn. Bhd. @	Malaysia	Property development	100	50
Subsidiary of Eco-Coach & Tours (M) Sdn. Bhd.:				
Senstrac Sdn. Bhd.	Malaysia	E-commerce travel and Tourism	51	51
Subsidiary of Senstrac Sdn. Bhd				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	51	51
Green Fleet Sdn. Bhd. ^	Malaysia	Transportation services	51	51
Subsidiary of Salcon SER Sdn. Bhd. (f.k.a. Salcon Power Sdn. Bhd.):				
Satria Megajuta Sdn. Bhd. ^ #	Malaysia	Dormant	47	-

\+ Audited by other member firms of KPMG International.

^ Audited by other firms of accountants.

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

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

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

7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries

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

	Envitech Sdn. Bhd. RM'000	Azitin Venture Sdn. Bhd. RM'000	Senstrac Sdn. Bhd. RM'000
2020			
NCI percentage of ownership interest and voting interest	40%	50%	49%
Carrying amount of NCI	25,408	1,054	(1,128)
Profit/(Loss) allocated to NCI	1,054	(965)	(720)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	13,394	-	732
Current assets	61,606	3,360	69
Non-current liabilities	(603)	-	(228)
Current liabilities	(10,877)	(1,251)	(2,876)
Net assets/(liabilities)	63,520	2,109	(2,303)
Year ended 31 December			
Revenue	43,543	23,763	-
Profit/(Loss) for the year	2,634	(1,931)	(1,469)
Total comprehensive income/ (expense)	2,634	(1,931)	(1,469)
Cash flows generated from operating activities	3,624	17,721	16
Cash flows used in investing activities	(2,263)	-	(173)
Cash flows (used in)/generated from financing activities	(1,781)	(18,164)	167
Net (decrease)/increase in cash and cash equivalents	(420)	(443)	10
Dividends paid to NCI	-	-	-

7. Investments in subsidiaries (continued)

7.1 Non-controlling interest in subsidiaries (continued)

	Envitech Sdn. Bhd. RM'000	Salcon Water (Asia) Limited RM'000	Salcon Xinlian Group Limited RM'000
2019			
NCI percentage of ownership interest and voting interest	40%	40%	49%
Carrying amount of NCI	24,354	2,478	(3,308)
Profit/(Loss) allocated to NCI	5,042	(2,530)	(1,019)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	13,160	-	662
Current assets	61,753	8,625	1,298
Non-current liabilities	(371)	-	-
Current liabilities	(13,655)	(2,430)	(8,712)
Net assets/(liabilities)	60,887	6,195	(6,752)
Year ended 31 December			
Revenue	47,377	-	-
Profit/(Loss) for the year	12,606	(6,324)	(2,080)
Total comprehensive income/ (expense)	12,606	(6,324)	(2,080)
Cash flows generated from/(used in) operating activities.	9,784	(580)	(24)
Cash flows (used in)/from investing activities	(5,333)	1	-
Cash flows used in financing activities	(1,400)	-	-
Net increase/(decrease) in cash and cash equivalents	3,051	(579)	(24)
Dividends paid to NCI	700	-	-

8. Investments in associates

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Investment in shares	24,178	24,178	1,928	1,928
Share of post-acquisition reserves	(645)	(934)	-	-
Less: Impairment loss	(6,192)	(6,192)	(1,679)	(1,584)
	17,341	17,052	249	344

Details of the associates are as follows:

Name of entity	**Principal place of business/ Country of incorporation**	**Principal activities**	**Effective ownership interest and voting interest 2020 %**	**2019 %**
Salcon Petroleum Services Sdn. Bhd. ("SPS")	Malaysia	Service provider and agent for representing overseas oil and gas services companies in Malaysia	49	49
Associates of Salcon Engineering Berhad:				
Emas Utilities Corporation Sdn. Bhd. ("EUC")	Malaysia	Investment holding company with 90% equity interest in Binh An Water Corporation Ltd., who engaged in production and supply of treated water in Vietnam	40	40
Associates of Senstrac Sdn Bhd (f.k.a Circlic Interactive Sdn. Bhd.):				
Wisdom Sports (M) Sdn. Bhd.	Malaysia	Sports tourism	23	23

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.

8. Investments in associates (continued)

Group	EUC 2020 RM'000	2019 RM'000
Summarised financial information as at 31 December		
Current assets	41,771	42,084
Current liabilities	(14)	(1,289)
Net assets	41,757	40,795
Year ended 31 December		
Profit for the year	1,071	4,136
Other comprehensive expense	(733)	(230)
Total comprehensive income	338	3,906
Included in the total comprehensive income is:		
Revenue	-	17,531

Group	EUC RM'000	Other immaterial associates RM'000	Total RM'000
2020			
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	16,703	311	17,014
Carrying amount in the statement of financial position	16,703	311	17,014
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	385	(96)	289
Other information			
Dividends received by the Group	-	-	-
2019			
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	16,318	407	16,725
Carrying amount in the statement of financial position	16,318	407	16,725
Group's share of results for the year ended 31 December			
Group's share of profit or loss from continuing operations	1,470	(360)	1,110
Other information			
Dividends received by the Group	6,328	-	6,328

9. Investments in joint ventures

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Investment in shares	29,063	29,063	23,500	23,500
Share of post-acquisition reserves	352	3,281	-	-
	29,415	32,344	23,500	23,500

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	9.1	50 plus 2 shares	50 plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	9.2	36	36
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	9.3	50	50
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	9.4	50	50
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	9.5	30	30

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

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

9. Investments in joint ventures (continued)

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

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

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

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

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

	WESB		L2		VTSB	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Summarised financial information						
As at 31 December						
Non-current assets	653	11,442	-	-	14,489	15,956
Current assets	22,226	22,044	127,187	127,515	9,412	5,692
Non-current liabilities	-	(72)	-	-	(149)	(1,061)
Current liabilities	(4,472)	(12,345)	(127,027)	(120,549)	(17,192)	(15,996)
Cash and cash equivalents	10,775	21,492	437	311	6,024	1,843
Year ended 31 December						
Profit/(Loss) from continuing operations	1,338	14,881	(6,806)	(15,643)	1,968	952
Total comprehensive income/ (expense)	1,338	14,881	(6,806)	(15,643)	1,968	952
Included in the total comprehensive income/ (expense) are:						
Revenue	12,668	35,951	11,412	46,713	14,235	11,185
Interest income	352	135	1,195	82	2	10
Interest expense	(6)	(32)	137	38	(376)	(502)
Tax expense	(369)	(4,440)	-	(112)	(4)	-

9. Investments in joint ventures (continued)

	WESB RM'000	L2 RM'000	VTSB RM'000	Other immaterial joint ventures RM'000	Total RM'000
2020					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	5,522	80	3,280	1,514	10,396
Carrying amount in the statement of financial position	5,522	4,733	17,430	1,514	29,199
Group's share of results for the year ended 31 December					
Group's share of profit/(loss) from continuing operations	401	(3,403)	984	290	(1,728)
Group's share of total comprehensive income/ (expense)	401	(3,403)	984	290	(1,728)
Other information					
Dividends received by the Group	1,201	-	-	-	1,201
2019					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	6,321	3,483	2,296	1,238	13,338
Carrying amount in the statement of financial position	6,321	8,136	16,446	1,238	32,141
Group's share of results for the year ended 31 December					
Group's share of profit/(loss) from continuing operations	4,464	(7,821)	476	1,809	(1,072)
Group's share of total comprehensive income/ (expense)	4,464	(7,821)	476	1,809	(1,072)
Other information					
Dividends received by the Group	3,600	-	-	3,000	6,600

10. Other investments

Group	Shares RM'000	Others RM'000	Total RM'000
2020			
Non-current			
Fair value through profit or loss - Quoted shares	8,932	-	8,932
Current			
Fair value through profit or loss - Fund investment	-	9,404	9,404
2019			
Non-current			
Fair value through profit or loss - Quoted shares	4,053	-	4,053
Current			
Fair value through profit or loss - Fund investment	-	3,206	3,206
Company			
2020			
Non-current			
Fair value through profit or loss - Quoted shares	8,932	-	8,932
2019			
Non-current			
Fair value through profit or loss - Quoted shares	4,053	-	4,053

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2020 RM'000	Assets 2019 RM'000	Liabilities 2020 RM'000	Liabilities 2019 RM'000	Net 2020 RM'000	Net 2019 RM'000
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	-	10	(1,433)	(1,884)	(1,433)	(1,874)
Other items	-	-	(51)	(615)	(51)	(615)
Tax losses carry-forward	3,516	3,516	-	-	3,516	3,516
Unabsorbed capital allowances	375	375	-	-	375	375
Tax assets/(liabilities)	3,891	3,901	(6,021)	(7,036)	(2,130)	(3,135)
Set off of tax	(203)	(203)	203	203	-	-
Net tax assets/(liabilities)	3,688	3,698	(5,818)	(6,833)	(2,130)	(3,135)

In recognising the deferred tax assets attributable to unutilised tax losses carry-forwards, the Directors made an assumption that there will not be any substantial change (more than 50%) in the shareholders before these assets are utilised. If there is substantial change in the shareholders, unutilised tax losses carry-forward amounting to approximately RM14.6 million (2019: RM14.6 million) will not be available to the Group, resulting in a decrease in deferred tax assets of RM3.5 million (2019: RM3.5 million).

Under current tax legislation, the tax losses carry-forward amounting to RM14.6 million will expire in year assessment 2025.

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

Group	At 1.1.2019 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2020 RM'000
Land use rights	(4,537)	-	(4,537)	-	(4,537)
Property, plant and equipment	(1,804)	(70)	(1,874)	441	(1,433)
Other items	(795)	180	(615)	564	(51)
Tax losses carry forward	3,516	-	3,516	-	3,516
Unabsorbed capital allowances	375	-	375	-	375
	(3,245)	110	(3,135)	1,005	(2,130)

11. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group	
	2020 RM'000	2019 RM'000
Other deductible temporary differences	4,966	4,970
Unabsorbed capital allowances	2,147	1,752
Unutilised tax losses	8,498	7,048
	15,611	13,770

Pursuant to new law gazetted, the ability to carry forward unutilised losses is restricted to a maximum period of seven consecutive Year of Assessment ("YA"), effective YA 2018.

The deferred tax assets arising from other deductible temporary differences, unabsorbed capital allowances and unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority as follows:

	Group	
	2020 RM'000	2019 RM'000
Utilisation years		
Indefinite	7,113	6,722
Expiring in Year Assessment 2025	5,378	5,378
Expiring in Year Assessment 2026	1,670	1,670
Expiring in Year Assessment 2027	1,450	-
	15,611	13,770

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.

12. Trade and other receivables

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current					
Trade					
Trade receivables	12.1	12,130	10,924	-	-
		12,130	10,924	-	-
Non-trade					
Amounts due from subsidiaries	12.4	-	-	271,094	270,934
		-	-	271,094	270,934
		12,130	10,924	271,094	270,934
Current					
Trade					
Trade receivables	12.1	61,242	55,297	-	-
		61,242	55,297	-	-
Non-trade					
Amounts due from associates	12.2	57	2,370	52	-
Amounts due from joint ventures	12.3	46,311	36,844	6,473	6,135
Amounts due from subsidiaries	12.4	-	-	2,948	3,277
Other receivables	12.5	17,485	10,681	393	-
Deposits		3,900	2,094	2,856	-
		67,753	51,989	12,722	9,412
		128,995	107,286	12,722	9,412
		141,125	118,210	283,816	280,346

12. Trade and other receivables (continued)

12.1 Trade receivables

Non-current

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

	Group	
	2020 **RM'000**	**2019** **RM'000**
1 – 2 years	2,617	3,957
2 – 3 years	7,245	6,504
3 – 4 years	1,518	463
4 – 5 years	750	-
	12,130	10,924

Current

Included in trade receivables of the Group are retention sums amounting to RM3,547,000 (2019: RM3,030,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection within 1 year.

12.2 The amounts due from associates of the Group and of the Company were unsecured, interest free and repayable on demand.

12.3 The amounts due from joint ventures of the Group and of the Company are unsecured, interest free and repayable on demand except for an amount of RM18,800,000 (2019: RM12,800,000) and RM5,000,000 (2019: RM5,005,000) which bears interest of 5.40% to 6.40% (2019: 6.70% to 7.70%) per annum, respectively.

12.4 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for amounts of RM209,147,000 (2019: RM208,351,000) which bear interest of 2.0% to 6.4% (2019: 2.0% to 7.7%) per annum.

Included in the amount due from subsidiaries, there are RM271,094,000 (2019: RM270,934,000) reclassified as non-current asset as the Company and its subsidiaries do not expect that funds are available for repayment within twelve months after reporting date.

12.5 Included in other receivables of the Group are allowance for impairment losses made against doubtful receivables of RM3,878,000 (2019: RM1,152,000).

13. Contract with customers

Contract assets/(liabilities)

Group	2020 RM'000	2019 RM'000
Contract assets	65,288	70,170
Contract liabilities	(7,174)	(5,601)

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

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

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

14. Inventories

		Group	
	Note	2020 RM'000	2019 RM'000
At cost:			
Spares		7	7
Consumables		40	29
Completed properties held for sale		1,218	22,896
Properties under development	14.1	108,831	108,831
		110,096	131,763

14.1 Properties under development comprises:

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

The land held for property development with carrying amount of RM108,615,000 (2019: RM108,615,000) is charged to the financial institution for the facilities granted to Group entities (Note 18.1).

15. Cash and cash equivalents

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Deposits with licensed banks				
- Malaysia	43,001	10,354	23,038	136
- Outside Malaysia	20,769	75,520	20,769	75,520
	63,770	85,874	43,807	75,656
Cash and bank balances				
- Malaysia	11,715	21,606	400	3,388
- Outside Malaysia	67,351	13,864	59,222	-
	79,066	35,470	59,622	3,388
	142,836	121,344	103,429	79,044

Included in the deposits with licensed banks of the Group is amount of RM30,000 (2019: RM30,000) pledged for facilities (Note 18.3) granted to the Group.

16. Asset classified as held for sale

In the previous financial year, a piece of leasehold industrial land under a Group entity was presented as a disposal group held for sale following the transfer of ownership to Sydney House Sdn. Bhd. upon the approval from the state authority. The sale was completed on 5 May 2020.

	Group 2020 RM'000	Group 2019 RM'000
Asset classified as held for sale		
Investment property	-	494

17. Capital and reserves

17.1 Share capital

	Note	Group and Company			
		Amount 2020 RM'000	Number of shares 2020 '000	Amount 2019 RM'000	Number of shares 2019 '000
Issued and fully paid shares with no par value classified as equity instruments:					
Ordinary shares					
1 January		424,465	847,113	424,465	847,113
Issued for cash under private placement	a	33,811	165,300	-	-
31 December		458,276	1,012,413	424,465	847,113

(a) On 28 September 2020, the Company proposed to undertake a private placement of up to 20% of the total number of issued shares of the Company (excluding treasury shares).

The Private placement has been completed on 2 November 2020. A total of 165,300,000 new ordinary shares were placed out pursuant to the private placement.

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

17.2 Treasury shares

The Company repurchased 29,290,500 (2019: 19,544,900) ordinary shares of its issued share capital from the open market, at an average cost of RM0.18 (2019: RM0.24) per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM5.39 million (2019: RM4.64 million) and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

During the financial year, the Company distributed 27,663,917 (2019: 28,173,780) treasury shares to entitled shareholders as share dividend. At the end of the year, the number of treasury shares held was 20,186,630 (2019: 18,560,047) shares.

17.3 Translation reserve

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

18. Loans and borrowings

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current					
Term loans (secured)	18.1	3,008	2,964	-	-
Finance lease liabilities	18.2	2,049	2,809	-	-
		5,057	5,773	-	-
Current					
Bank overdrafts (unsecured)		730	1,430	-	-
Bankers' acceptances (unsecured)	18.3	6,427	8,478	-	-
Revolving credits (unsecured)	18.3	-	3,000	-	-
Term loans (secured)	18.1	76	181	-	-
Invoice financing	18.4	17,806	3,003	-	-
Finance lease liabilities	18.2	1,969	2,237	-	83
		27,008	18,329	-	83
		32,065	24,102	-	83

18.1 Term loans

Secured term loans are secured via the following:

a) Legal charge over the freehold buildings owned by a Group entity with carrying amount of RM1,390,000 (2019:RM1,420,000) (Note 3.1).

b) 1st party 2nd legal charge over the land owned by a Group entity with carrying amount of RM108,615,000 (2019: RM108,615,000) (Note 14.1).

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

The repayment term of the term loans are as follows:

Group	2020 Under 1 year RM'000	2020 1 to 5 years RM'000	2020 More than 5 years RM'000	2019 Under 1 year RM'000	2019 1 to 5 years RM'000	2019 More than 5 years RM'000
Term loan - secured	76	729	2,279	181	733	2,231

18. Loans and borrowings (continued)

18.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2020			2019		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	2,150	(181)	1,969	2,475	(238)	2,237
Between one and five years	2,189	(140)	2,049	3,043	(234)	2,809
	4,339	(321)	4,018	5,518	(472)	5,046
Company						
Less than one year	-	-	-	84	(1)	83

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

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

18. Loans and borrowings (continued)

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

Group	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
At 1 January 2019	6,874	22,723	17,354	46,951
Drawdown of borrowings	-	-	3,003	3,003
Repayment of borrowings	-	(19,578)	(5,876)	(25,454)
Acquisition of right-of-use assets through finance lease liabilities	660	-	-	660
Repayment of finance lease liabilities	(2,488)	-	-	(2,488)
At 31 December 2019/1 January 2020	5,046	3,145	14,481	22,672
Drawdown of borrowings	-	-	14,803	14,803
Repayment of borrowings	-	(61)	(5,051)	(5,112)
Acquisition of right-of-use assets through finance lease liabilities	365	-	-	365
Repayment of finance lease liabilities	(1,393)	-	-	(1,393)
At 31 December 2020	4,018	3,084	24,233	31,335

Company	Finance lease liabilities RM'000
At 1 January 2019	299
Repayment of finance lease liabilities	(216)
At 31 December 2019/1 January 2020	83
Repayment of finance lease liabilities	(83)
At 31 December 2020	-

19. Trade and other payables

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade					
Trade payables		23,949	39,517	-	-
Accrued expenses		40,491	31,589	-	-
		64,440	71,106	-	-
Non-trade					
Amounts due to associates	19.1	670	1,908	-	1,300
Amounts due to subsidiaries	19.2	-	-	23,504	23,133
Other payables	19.3	11,604	10,707	385	841
Accrued expenses		644	1,133	107	339
		12,918	13,748	23,996	25,613
		77,358	84,854	23,996	25,613

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

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

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

i) A sum of RM6,838,000 in 2019 being amount due to non-controlling interest of a subsidiary for business operation funding. The amount is unsecured, repayable upon demand and borne interest of 8.20% per annum.

ii) Dividend payable by a subsidiary to non-controlling interest of RM700,000 in previous financial year.

20. Revenue

Group	Continuing operations 2020 RM'000	Continuing operations 2019 RM'000	Discontinued operation (Note 24) 2020 RM'000	Discontinued operation (Note 24) 2019 RM'000	Total 2020 RM'000	Total 2019 RM'000
Revenue from contract with customers						
Construction						
- Water projects	90,890	94,967	-	-	90,890	94,967
- Wastewater projects	46,110	37,655	-	-	46,110	37,655
- Water system repairs	16,535	30,265	-	-	16,535	30,265
- Others	58	568	-	-	58	568
Concessions	-	883	-	-	-	883
Trading and services						
- Transportation	15,656	17,428	-	-	15,656	17,428
- Solar power services	1,002	1,070	-	-	1,002	1,070
- Others	134	683	-	-	134	683
Property development	23,763	7,773	-	-	23,763	7,773
Total revenue	194,148	191,292	-	-	194,148	191,292
Company						
Dividends	58	563	-	-	58	563

20. Revenue (continued)

20.1 Disaggregation of revenue

Group	Construction		Concessions		Trading and services		Property development		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Primary geographical markets										
Malaysia	149,801	107,330	-	883	15,709	17,969	23,763	7,773	189,273	133,955
Vietnam	-	16,575	-	-	-	-	-	-	-	16,575
Sri Lanka	3,792	39,550	-	-	-	-	-	-	3,792	39,550
The United Kingdom	-	-	-	-	1,002	1,070	-	-	1,002	1,070
Norway	-	-	-	-	81	72	-	-	81	72
Other countries	-	-	-	-	-	70	-	-	-	70
	153,593	163,455	-	883	16,792	19,181	23,763	7,773	194,148	191,292
Major products and services lines										
Water projects	90,890	94,967	-	-	-	-	-	-	90,890	94,967
Wastewater projects	46,110	37,655	-	-	-	-	-	-	46,110	37,655
Water system repairs	16,535	30,265	-	-	-	-	-	-	16,535	30,265
Concessions	-	-	-	883	-	-	-	-	-	883
Property development	-	-	-	-	-	-	23,763	7,773	23,763	7,773
Transportation	-	-	-	-	15,656	17,428	-	-	15,656	17,428
Solar power services	-	-	-	-	1,002	1,070	-	-	1,002	1,070
Others	58	568	-	-	134	683	-	-	192	1,251
	153,593	163,455	-	883	16,792	19,181	23,763	7,773	194,148	191,292
Timing and recognition										
Over time	153,593	163,455	-	-	15,210	16,430	-	-	168,803	179,885
At a point in time	-	-	-	883	1,582	2,751	23,763	7,773	25,345	11,407
Total revenue	153,593	163,455	-	883	16,792	19,181	23,763	7,773	194,148	191,292

20. Revenue (continued)

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

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

20. Revenue (continued)

20.3 Transaction price allocated to the remaining performance obligations

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

	More than 1 year	
Group	**2020 RM'000**	**2019 RM'000**
Water projects	222,507	313,810
Wastewater projects	65,925	37,415
Water system repairs	22,462	30,149
	310,894	381,374

The Group applies the following practical expedients:

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

20.4 Significant judgements and assumptions arising from revenue recognition

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

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

20.5 Revenue recognised by associates and joint ventures

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

	Group	
	2020 RM'000	**2019 RM'000**
Associates	2,742	19,116
Joint ventures	43,297	148,607
	46,039	167,723

The Group recognised its share of profit or loss from the continuing operations of the associates and joint ventures as disclosed in Note 8 and Note 9.

21. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors:				
- Fees	415	370	380	310
- Remuneration	6,369	6,373	-	-
- Other short-term employee benefits (including estimated monetary value of benefit-in-kind)	209	393	27	24
	6,993	7,136	407	334

22. Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	2,304	3,147	1	9
Interest expense on lease liabilities	160	173	-	-
	2,464	3,320	1	9

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax expense on continuing operations	995	2,419	947	320
Share of tax of equity-accounted associates/joint ventures	246	1,960	-	-
Total income tax expense	1,241	4,379	947	320

23. Tax expense (continued)

Recognised in profit or loss (continued)

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Major components of income tax expense include:				
Income tax expense				
Malaysian - current year	1,882	2,387	845	388
- prior year	118	142	102	(68)
Total income tax recognised in profit or loss	2,000	2,529	947	320
Deferred tax expense				
Origination and reversal of temporary differences	(700)	(1,717)	-	-
(Over)/Under provision in prior year	(305)	1,607	-	-
Total deferred tax recognised in profit or loss	(1,005)	(110)	-	-
Share of tax of equity-accounted associates/joint ventures	246	1,960	-	-
Total tax expense	1,241	4,379	947	320
Reconciliation of tax expense				
(Loss)/Profit for the year	(8,057)	(8,967)	4,809	(8,424)
Total tax expense	1,241	4,379	947	320
(Loss)/Profit excluding tax	(6,816)	(4,588)	5,756	(8,104)
Income tax calculated using Malaysian tax rate of 24%	(1,636)	(1,101)	1,381	(1,945)
Effect of tax rates in foreign jurisdictions	10	72	-	-
Non-deductible expenses	3,477	4,597	1,314	5,080
Tax exempt income	(865)	(1,436)	(14)	(135)
Non-taxable income	-	-	(1,836)	(2,612)
Effect of deferred tax assets not recognised	442	498	-	-
	1,428	2,630	845	388
(Over)/Under provision in prior years	(187)	1,749	102	(68)
	1,241	4,379	947	320

24. Discontinued operations

During the year, the disposal of Salcon Xinlian Group Ltd and the strike off of Salcon Services (HK) Ltd have been completed during the financial year.

The disposal of Eco World-Salcon Y1 Pty Ltd and the strike off of Salcon Engineering (India) Pte Ltd was completed in the previous financial year.

Profit attributable to the discontinued operations was as follows:

		Group	
	Note	2020 RM'000	2019 RM'000
Other income		302	-
Expenses		(45)	-
Results from operating activities, net of tax		257	-
Gain on sales of discontinued operations		1,431	1,330
Share of loss of associate		-	(547)
Profit for the year		1,688	783
Included in results from operating activities are:			
Gain on sales of discontinued operations		1,431	-
Unrealised foreign exchange gain		139	-
Cash flows from discontinued operations			
Net cash (outflow)/inflow from investing activities		(32)	13,126
Effect on cash flows		(32)	13,126

The profit from discontinued operations of RM1,534,000 (2019: RM733,000) is attributable to the owners of the Group.

24. Discontinued operations (continued)

Effect of disposal on the financial position of the Group

	2020 RM'000	2019 RM'000
Investment in associate	-	11,773
Property, plant and equipment	4	-
Trade and other receivables	553	-
Tax recoverable	111	-
Cash and cash equivalents	32	2
Trade and other payables	(722)	(644)
Effect of foreign currency difference	591	667
Non-controlling interest	(2,000)	-
Net (liabilities)/assets	(1,431)	11,798
Gain on sales of discontinued operations	1,431	1,330
Consideration received, satisfied in cash	-	13,128
Cash and cash equivalent disposed of	(32)	(2)
Net cash (outflow)/inflow	(32)	13,126

25. (Loss)/Profit for the year

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
(Loss)/Profit for the year is arrived at after charging/(crediting)					
Auditors' remunerations					
- Audit fees					
- Current year					
KPMG PLT		414	410	175	175
Overseas affiliates of KPMG PLT		60	98	-	-
Other auditors		34	39	-	-
- Non-audit fees					
- KPMG PLT		35	35	35	35
Material expenses/(income)					
Amortisation of intangible asset		697	697	-	-
Depreciation of property, plant and equipment		3,549	3,730	-	-
Depreciation of right-of-use assets		2,608	2,062	65	226
Dividend income from:					
- Other investment		(58)	(2)	(58)	(2)
- Subsidiaries		-	-	-	(561)
- Joint ventures		(800)	(2,400)	-	-
Net fair value gain on other investments		(1,677)	(1,787)	(1,677)	(1,787)
Finance income:					
- Subsidiaries		-	-	(4,197)	(4,731)
- Others		(2,142)	(2,872)	(608)	(1,325)
Finance cost on:					
- Bank overdraft		558	48	-	-
- Loans		151	924	-	-
- Other borrowings		1,755	2,348	1	9
(Gain)/Loss on disposal of equity interest in subsidiaries		(1,431)	25	-	-
Gain on disposal of equity interest in associate companies		-	(808)	-	-
Loss on dilution of shareholdings in subsidiaries		-	-	265	-
Gain on disposal of other investment		(2,431)	(377)	(2,431)	(377)
Gain on disposal of property, plant and equipment		(22)	(50)	-	-
Impairment losses:					
- Investments in subsidiaries		-	-	180	9,531
- Investments in associates		-	6,192	95	1,584
- Property, plant and equipment		-	37	-	-
- Goodwill		1,160	-	-	-

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

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Material expenses/(income) (continued)					
Net realised foreign exchange (gain)/loss		(50)	608	99	(315)
Net unrealised foreign exchange (gain)/ loss		(1,545)	558	(1,013)	(317)
Gain on disposal of assets held for sale		(922)	-	-	-
Other receivables written off		8	451	7	449
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,141	2,444	401	455
- Wages, salaries and others		20,346	22,788	3,787	4,155
Property, plant and equipment written off		997	32	-	-
Expenses/(income) arising from leases					
Expenses relating to short term leases	25.1	274	892	-	-
Expenses relating to leases of low value assets	25.1	28	30	-	-
Rental income on premises		(173)	(147)	-	-
Net loss/(gain) on impairment of financial instruments					
Financial assets at amortised cost					
Impairment loss					
- Trade receivables		305	200	-	-
- Other receivables		2,726	-	-	-
- Amounts due from subsidiaries		-	-	319	2,850
Reversal of impairment loss					
- Trade receivables		(120)	(2,528)	-	-
- Amounts due from subsidiaries		-	-	-	(6,036)
		2,911	(2,328)	319	(3,186)

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

26. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2020			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	6,154	-	6,154
2019			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(8,937)	-	(8,937)

27. (Loss)/Earnings per ordinary share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2020 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
2020			
(Loss)/Profit attributable to ordinary shareholders	(7,601)	1,534	(6,067)
2019			
(Loss)/Profit attributable to ordinary shareholders	(9,434)	783	(8,651)

	Group 2020 '000	Group 2019 '000
Weighted average number of ordinary shares at 31 December	863,594	841,904

	Group 2020 Sen	Group 2019 Sen
From continuing operations	(0.88)	(1.12)
From discontinued operations	0.18	0.09
Basic loss per ordinary share	(0.70)	(1.03)

27. (Loss)/Earnings per ordinary share (continued)

Diluted (loss)/earnings per ordinary share

The potential ordinary shares, warrants on issue, are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares at the end of current and prior reporting period.

	Group	
	2020 Sen	**2019 Sen**
From continuing operations	(0.88)	(1.12)
From discontinued operations	0.18	0.09
Diluted loss per ordinary share	(0.70)	(1.03)

28. Dividends

Dividends recognised by the Company:

	Total amount RM'000	Date of payment
2020		
First and final share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held	6,436	19 August 2020
2019		
First and final share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held	7,618	10 July 2019

After the end of the reporting period, a first and final dividend of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company at the forthcoming Annual General Meeting.

29. Operating segments

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

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

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

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

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

Segment assets

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

Segment liabilities

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

Segment capital expenditure

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

29. Operating segments (continued)

Group 2020	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Segment profit/(loss)	833	367	5,086	(3,729)	2,557	1,550	4,107
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	153,593	-	16,792	23,763	194,148	-	194,148
Share of profit/(loss) of associates	-	385	(96)	-	289	-	289
Share of (loss)/profit of joint ventures	(2,712)	-	984	-	(1,728)	-	(1,728)
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(1,409)	-	(5,161)	(284)	(6,854)	-	(6,854)
Finance costs	(1,177)	-	(405)	(882)	(2,464)	-	(2,464)
Finance income	2,107	-	1	34	2,142	-	2,142
Tax expense	(962)	-	(407)	374	(995)	-	(995)

29. **Operating segments (continued)**

Group 2020	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Segment assets	385,365	16,874	80,526	111,482	594,247	-	594,247
Included in the measure of segment assets are:							
Investment in associates	-	16,703	638	-	17,341	-	17,341
Investment in joint ventures	11,969	-	17,446	-	29,415	-	29,415
Additions to non-current assets other than financial instruments and deferred tax assets	693	-	1,557	-	2,250	-	2,250
2019							
Segment profit/(loss)	11,470	2,327	(2,696)	(1,751)	9,350	783	10,133
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	163,455	883	19,181	7,773	191,292	-	191,292
Share of profit/(loss) of associates	-	1,470	(267)	-	1,203	(547)	656
Share of profit of joint ventures	11,796	-	1,060	-	12,856	-	12,856

29. Operating segments (continued)

Group 2019	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(1,798)	-	(4,407)	(284)	(6,489)	-	(6,489)
Finance costs	(766)	-	(619)	(1,935)	(3,320)	-	(3,320)
Finance income	2,488	11	1	372	2,872	-	2,872
Tax expense	(1,651)	3	(511)	(260)	(2,419)	-	(2,419)
Segment assets	347,744	18,009	73,818	134,720	574,291	-	574,291
Included in the measure of segment assets are:							
Investment in associates	-	16,318	734	-	17,052	-	17,052
Investment in joint ventures	15,881	-	16,463	-	32,344	-	32,344
Additions to non-current assets other than financial instruments and deferred tax assets	2,315	-	2,115	-	4,430	-	4,430

29. Operating segments (continued)

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

	Group 2020 RM'000	Group 2019 RM'000
Profit or loss		
Total profit or loss for reportable segments	2,557	9,350
Depreciation and amortisation	(6,854)	(6,489)
Finance costs	(2,464)	(3,320)
Finance income	2,142	2,872
Unrealised and realised foreign exchange differences	1,595	(1,166)
Unallocated expenses:		
Corporate expenses	(5,726)	(8,578)
Consolidated loss before tax from continuing operations	(8,750)	(7,331)
Profit from discontinued operation, net of tax	1,688	783
Consolidated loss before tax	(7,062)	(6,548)

Geographical segments

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

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

Group	Geographical information Revenue 2020 RM'000	Non-current assets 2020 RM'000	Revenue 2019 RM'000	Non-current assets 2019 RM'000
Malaysia	189,273	55,293	133,955	60,866
Sri Lanka	3,792	-	39,550	-
The United Kingdom	1,002	7,397	1,070	8,755
Vietnam	-	57	16,575	79
Other countries	81	-	142	5
	194,148	62,747	191,292	69,705

29. Operating segments (continued)

Major customers

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

	Revenue		Segment
All common control of Companies:	**2020 RM'000**	**2019 RM'000**	
- Customer A	65,301	37,004	Construction
- Customer B	3,792	39,550	Construction
- Customer C	19,951	-	Construction
- Customer D	-	16,575	Construction

30. Financial instruments

30.1 Categories of financial instruments

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

2020	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	18,336	-	18,336
Trade and other receivables	141,125	141,125	-
Cash and cash equivalents	142,836	142,836	-
	302,297	283,961	18,336
Company			
Other investments	8,932	-	8,932
Trade and other receivables	283,816	283,816	-
Cash and cash equivalents	103,429	103,429	-
	396,177	387,245	8,932

30. Financial instruments (continued)

30.1 Categories of financial instruments (continued)

2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial assets			
Group			
Other investments	7,259	-	7,259
Trade and other receivables	118,210	118,210	-
Cash and cash equivalents	121,344	121,344	-
	246,813	239,554	7,259
Company			
Other investments	4,053	-	4,053
Trade and other receivables	280,346	280,346	-
Cash and cash equivalents	79,044	79,044	-
	363,443	359,390	4,053

	Carrying amount RM'000	AC RM'000
2020		
Financial liabilities		
Group		
Loans and borrowings	(32,065)	(32,065)
Trade and other payables	(77,358)	(77,358)
	(109,423)	(109,423)
Company		
Trade and other payables	(23,996)	(23,996)
2019		
Financial liabilities		
Group		
Loans and borrowings	(24,102)	(24,102)
Trade and other payables	(84,854)	(84,854)
	(108,956)	(108,956)
Company		
Loans and borrowings	(83)	(83)
Trade and other payables	(25,613)	(25,613)
	(25,696)	(25,696)

30. Financial instruments (continued)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net gains/(losses) on:				
Financial assets at fair value through profit or loss	4,108	2,164	4,108	2,164
Financial assets at amortised cost	818	3,583	5,393	9,425
Financial liabilities measured at amortised cost	(2,304)	(3,147)	(1)	(9)
	2,622	2,600	9,500	11,580

30.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

30.4 Credit risk

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

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

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

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

30. Financial instruments (continued)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Risk management objectives, policies and processes for managing the risk (continued)

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

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

Concentration of credit risk

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

	Group	
	2020 RM'000	**2019 RM'000**
Domestic	113,967	101,697
Sri Lanka	6,945	20,445
Vietnam	9,310	7,380
India	4,177	4,177
United Kingdom	2,203	2,692
Thailand	2,058	-
	138,660	136,391

30. Financial instruments (continued)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at the end of the reporting period.

Group	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2020			
Not past due	127,975	-	127,975
Past due 1 - 30 days	1,212	-	1,212
Past due 31 - 60 days	2,474	-	2,474
Past due 61 - 90 days	319	-	319
	131,980	-	131,980
Credit impaired			
More than 90 days past due	6,424	-	6,424
Individually impaired	6,542	(6,286)	256
	144,946	(6,286)	138,660
Trade receivables	79,658	(6,286)	73,372
Contract assets	65,288	-	65,288
	144,946	(6,286)	138,660
2019			
Not past due	112,612	-	112,612
Past due 1 - 30 days	2,873	-	2,873
Past due 31 - 60 days	4,428	-	4,428
Past due 61 - 90 days	2,600	-	2,600
	122,513	-	122,513
Credit impaired			
More than 90 days past due	13,635	(27)	13,608
Individually impaired	6,344	(6,074)	270
	142,492	(6,101)	136,391
Trade receivables	72,322	(6,101)	66,221
Contract assets	70,170	-	70,170
	142,492	(6,101)	136,391

30. Financial instruments (continued)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

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

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

Group	Credit impaired RM'000	Total RM'000
At 1 January 2019	(8,513)	(8,513)
Amounts written off	84	84
Net remeasurement of loss allowance	2,328	2,328
At 31 December 2019/1 January 2020	(6,101)	(6,101)
Net remeasurement of loss allowance	(185)	(185)
At 31 December 2020	(6,286)	(6,286)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk, credit quality and collateral

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

30. Financial instruments (continued)

30.4 Credit risk (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM74,445,000 (2019: RM80,158,000) representing the outstanding banking facilities of the subsidiaries and joint ventures that was supported by the financial guarantee issued by the Company as at end of the reporting period.

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

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

Other receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

Generally, the Group considers advances provided to sub-contractors have low credit risk. The Group assumes that there is a significant increase in credit risk when sub-contractors are not able to pay when demanded.

30. Financial instruments (continued)

30.4 Credit risk (continued)

Other receivables (continued)

Recognition and measurement of impairment loss (continued)

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

Group	Credit impaired RM'000	Total RM'000
At 1 January 2019/31 December 2019/1 January 2020	1,152	1,152
Net remeasurement of loss allowance	2,726	2,726
At 31 December 2020	3,878	3,878

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries, associates and joint ventures have low credit risk. The Company considers a subsidiary, associate and joint venture's loan or advance to be credit impaired when:
- The subsidiary, associate or joint venture is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary, associate or joint venture is continuously loss making and is having a deficit shareholders' fund.

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

30. Financial instruments (continued)

30.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

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

Company	Credit impaired RM'000	Total RM'000
At 1 January 2019	17,267	17,267
Net remeasurement of loss allowance	(3,186)	(3,186)
At 31 December 2019/1 January 2020	14,081	14,081
Amounts written off	(3,702)	(3,702)
Net remeasurement of loss allowance	319	319
At 31 December 2020	10,698	10,698

30.5 Liquidity risk

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

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

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis

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

2020	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
Non-derivative financial liabilities						
Term loans (secured)	3,084	4.50 - 9.00%	3,119	209	448	2,462
Invoice financing (unsecured)	17,806	3.43 - 4.85%	17,806	17,806	-	-
Bank overdraft (unsecured)	730	8.15 - 8.40%	730	730	-	-
Finance lease liabilities	4,018	1.48 - 6.27%	4,339	2,150	1,118	1,071
Bankers' acceptance (unsecured)	6,427	2.28 - 3.29%	6,427	6,427	-	-
Lease liabilities	2,818	5.32 - 7.65%	3,159	1,562	1,073	524
Trade and other payables	77,358	-	77,358	77,358	-	-
	112,241		112,938	106,242	2,639	4,057
Company						
Non-derivative financial liabilities						
Financial guarantees	-	-	74,445	74,445	-	-
Trade and other payables	23,996	-	23,996	23,996	-	-
	23,996		98,441	98,441	-	-

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

2019	Carrying amount RM'000	Contractual interest rate/ Discount rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
Non-derivative financial liabilities							
Term loans (secured)	3,145	4.50 - 9.00%	3,212	209	274	559	2,170
Invoice financing (unsecured)	3,003	4.84 - 4.90%	3,003	3,003	-	-	-
Bank overdraft (unsecured)	1,430	8.15 - 8.40%	1,430	1,430	-	-	-
Finance lease liabilities	5,046	1.48 - 6.27%	5,518	2,475	2,317	726	-
Bankers' acceptance (unsecured)	8,478	4.48 - 4.94%	8,478	8,478	-	-	-
Revolving credits (unsecured)	3,000	5.05 - 5.27%	3,000	3,000	-	-	-
Lease liabilities	3,474	5.32%	3,773	1,266	1,118	1,389	-
Trade and other payables	78,016	-	78,016	78,016	-	-	-
Other payables	6,838	8.20%	6,838	6,838	-	-	-
	112,430		113,268	104,715	3,709	2,674	2,170
Company							
Non-derivative financial liabilities							
Finance lease liabilities	83	2.46%	84	84	-	-	-
Financial guarantees	-	-	80,158	80,158	-	-	-
Trade and other payables	25,613	-	25,613	25,613	-	-	-
	25,696		105,855	105,855	-	-	-

30. Financial instruments (continued)

30.6 Market risk

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

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

30.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in						
	SGD	**USD**	**LKR**	**INR**	**GBP**	**VND**	**AUD**
2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group							
Trade receivables	-	22	3,880	153	2,203	7,361	-
Cash and cash equivalents	42,973	5,639	4,067	52	23,058	1,219	14,069
Trade payables	-	-	(388)	(15)	-	(2,091)	-
Contract assets	-	-	3,065	4,024	-	1,949	-
Net exposure	42,973	5,661	10,624	4,214	25,261	8,438	14,069
2019							
Group							
Trade receivables	-	37	5,700	153	2,692	219	-
Cash and cash equivalents	14,341	10,078	4,165	52	22,874	6,404	43,219
Trade payables	-	-	(11,593)	(15)	-	(315)	-
Contract assets	-	-	14,745	4,024	-	7,161	-
Net exposure	14,341	10,115	13,017	4,214	25,566	13,469	43,219

30. Financial instruments (continued)

30.6 Market risk (continued)

30.6.1 Currency risk (continued)

Currency risk sensitivity analysis

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

A 10 percent strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
SGD	3,266	1,090	3,266	1,090
USD	213	563	430	769
LKR	891	993	807	989
INR	253	321	320	320
GBP	833	823	1,920	1,943
VND	514	922	641	1,024
AUD	1,069	3,408	1,069	3,285
	7,039	8,120	8,453	9,420

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

30.6.2 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

30. Financial instruments (continued)

30.6 Market risk (continued)

30.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets	63,770	85,874	252,954	284,007
Financial liabilities	(6,836)	(8,520)	-	(83)
	56,934	77,354	252,954	283,924
Floating rate instruments				
Financial assets	18,800	12,800	5,000	5,005
Financial liabilities	(28,047)	(25,894)	-	-
	(9,247)	(13,094)	5,000	5,005

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**
2020				
Floating rate instruments	(70)	70	38	(38)
2019				
Floating rate instruments	(100)	100	38	(38)

30. Financial instruments (continued)

30.7 Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2020	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Other investments	18,336	-	-	18,336	-	-	-	-	18,336	18,336
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(3,084)	(3,084)	(3,084)	(3,084)
Finance lease liabilities	-	-	-	-	-	-	(3,845)	(3,845)	(3,845)	(4,018)
	-	-	-	-	-	-	(6,929)	(6,929)	(6,929)	(7,102)
Company										
Financial assets										
Other investments	8,932	-	-	8,932	-	-	-	-	8,932	8,932

30. **Financial instruments (continued)**

30.7 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2019	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Other investments	7,259	-	-	7,259	-	-	-	-	7,259	7,259
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(3,145)	(3,145)	(3,145)	(3,145)
Finance lease liabilities	-	-	-	-	-	-	(5,000)	(5,000)	(5,000)	(5,046)
	-	-	-	-	-	-	(8,145)	(8,145)	(8,145)	(8,191)
Company										
Financial assets										
Other investments	4,053	-	-	4,053	-	-	-	-	4,053	4,053
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(81)	(81)	(81)	(83)

30. Financial instruments (continued)

30.7 Fair value of information (continued)

Level 1 fair value

Investment in equity securities

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

Level 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:

	2020	2019
Group		
Finance lease liabilities	3.05%	3.53%
Company		
Finance lease liabilities	-	4.66%

31. Capital management

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

The debt-to-equity ratios at 31 December 2020 and at 31 December 2019 were as follows:

	Group	
	2020 RM'000	2019 RM'000
Total loans and borrowings (Note 18)	32,065	24,102
Lease liabilities	2,818	3,474
Less: Cash and cash equivalents (Note 15)	(142,836)	(121,344)
Net debt	(107,953)	(93,768)
Total equity	467,763	449,225
Debt-to-equity ratio	-	-

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

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

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

32. Contingent liabilities

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bank guarantees given to financial institutions in respect of facilities granted to				
- subsidiaries	-	-	244,543	244,543
- joint venture	11,000	11,000	11,000	11,000
Bank guarantee given to third parties relating to performance, tender and advance payment bonds	47,284	61,332	-	-

33. Related parties

Identity of related parties

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

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

The Group has related party relationships with its subsidiaries (see Note 7), associates (see Note 8), joint ventures (see Note 9) and key management personnel.

Transactions with key management personnel

Key management personnel compensation

Key management personnel compensation is disclosed in Note 21.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 12 and 19.

	Transaction value for year ended 31 December	
	2020 RM'000	**2019 RM'000**
Group		
Entity in which a Director has interest		
- disposal of interest in shares of associate	-	13,252
Company		
Subsidiaries		
- interest income	(4,197)	(4,731)

34. Capital and other commitments

	Group	
	2020 RM'000	2019 RM'000
Capital expenditure commitments		
Contracted but not provided for	3,541	7,010

35. Significant events

Significant events during the year are as follows:

(i) Salcon Xinlian Group Limited

On 5 August 2020, Salcon Berhad entered into a Sale and Purchase Agreement with See Che Chi to dispose of 10,000,000 ordinary shares in Salcon Xinlian Group Limited ("SXGL"), representing 51% equity interest in SXGL for a total cash consideration of RM1.00. Following the disposal, SXGL ceased to be a subsidiary of the Company.

(ii) Salcon Services (HK) Limited

On 30 September 2020, Salcon Services (HK) Limited, a subsidiary of Salcon Water (Asia) Limited, which in turn is a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Services (HK) Limited has been struck off the register of companies.

(iii) Salcon Water (Asia) Limited

On 27 July 2020, Salcon Berhad entered into an Agreement with Challenger Emerging Market Infrastructure Fund Pte Ltd for the acquisition of the remaining 126,248,603 ordinary shares, representing 40% of the total share capital in Salcon Water (Asia) Limited not owned by the Company, for a total cash consideration of USD1.00 only. Upon the completion of the Acquisition, Salcon Water (Asia) Limited became a wholly-owned subsidiary of Salcon Berhad.

The carrying amount of Salcon Water (Asia) Limited's net assets in the Group's financial statements on the date of acquisition was RM8,455,000. The Group recognised a decrease in non-controlling interests and foreign exchange translation of RM5,966,000 and RM5,026,000 respectively; and an increase in retained earnings of RM10,992,000.

35. Significant events (continued)

(iv) Nusantara Megajuta Sdn Bhd

On 17 August 2020, Salcon Development Sdn Bhd, a wholly-owned subsidiary of Salcon Berhad, had entered into a Share Sale Agreement with Kembar Makmur Sdn Bhd to acquire a total of 6,498,700 ordinary shares, representing the remaining 49.99% of the issued and paid up share capital of Nusantara Megajuta Sdn Bhd, for a total cash consideration of RM6,500,000 ("Acquisition"). Upon the completion of the Acquisition, Nusantara Megajuta Sdn Bhd became a wholly-owned subsidiary of Salcon Berhad.

The carrying amount of Nusantara Megajuta Sdn Bhd's net liabilities in the Group's financial statements on the date of acquisition was RM19,861,000. The Group recognised an increase in non-controlling interests of RM9,928,000 and a decrease in retained earnings of RM16,428,000.

(v) Effect of COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak to be a global pandemic given the outbreak of the virus in countries across the world including Malaysia. The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impact. This has brought economic uncertainties in Malaysia within which the Group and the Company operate.

The effect of pandemic has affected the financial performance of the Group and the Company for the financial year ended 31 December 2020. The Group and the Company are actively monitoring and managing its operations to minimise any impacts that may arise from the COVID-19.

36. Subsequent events

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

Nusantara Jasakita Sdn Bhd ("NJSB"), a 90%-owned subsidiary of Salcon Berhad has on 12 November 2020 entered into a Share Sale Agreement ("SSA") with Ganesan A/L Subramaniam ("Ganesan") for the acquisition of 1,020,000 ordinary shares, representing 51% of the total issued share capital in JR Engineering and Medical Technologies (M) Sdn Bhd ("JREMT") for a total cash consideration of RM28,560,000.00 only ("Acquisition").

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

The Acquisition was completed on 12 March 2021 and JREMT became a 51%-owned subsidiary of NJSB.

(ii) Salcon Changzhou (HK) Limited

On 11 February 2021, Salcon Changzhou (HK) Limited, a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Changzhou (HK) Limited has been struck off the register of companies.

36. Subsequent events (continued)

(iii) Wisdom Sports (M) Sdn Bhd

On 1 February 2021, Wisdom Sports (M) Sdn Bhd (In Liquidation) (“WSSB”), a 23%-owned associate of Salcon Berhad had convened its final meeting to conclude the member’s voluntary winding-up of WSSB. The winding up has been conducted and the property of WSSB has been disposed off. An explanation of the account for the period from 8 November 2019 (commencement of winding up) to 1 February 2021 (final meeting) was provided. Upon completion of the voluntary winding up, (i.e. three (3) months after the lodgement of the Return by Liquidator relating to Final Meeting pursuant to Section 459(5) of the Companies Act 2016 with the Companies Commission of Malaysia and the Official Receiver), WSSB shall cease to be an associate of the Group.

37. Comparative figures

The following comparatives of the Group have been reclassified in order to conform with current year’s presentation.

	2019	
	As restated RM’000	**As previously stated RM’000**
Group		
Statements of financial position		
Non-current		
Trade and other receivables	10,924	-
Current		
Trade and other receivables	107,286	118,210

The above reclassification does not have any impact on the earnings for ordinary shares of the Group.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 106 to 210 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Tee Tiam Lee
Director

Dato' Leong Kok Wah
Director

Kuala Lumpur
Date: 8 April 2021

STATUTORY DECLARATION

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

I, **Law Woo Hock**, the officer primarily responsible for the financial management of Salcon Berhad, do solemnly and sincerely declare that the financial statements set out on pages 106 to 210 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Law Woo Hock, NRIC: 640630-07-5353, MIA CA 7714 at Kuala Lumpur in the Federal Territory on 8 April 2021.

Law Woo Hock

Before me:

Samugam Vassoo AMN
(W632)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SALCON BERHAD
(Registration No. 200201026133 (593796-T))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 106 to 210.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Adopting MFRS 15 Revenue from Contracts with Customers

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

The key audit matter

Recognition of revenue on construction contracts requires management to exercise significant judgement with respect to the preparation of estimates of the estimated total costs of the contract at completion. An error in the estimated total costs of the contract at completion could result in a material misstatement in the amount of profit or loss recognised to-date and in the current period.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- challenging senior operational, commercial and financial management's judgement by obtaining and assessing information to support the estimated total costs. These assumptions included in the estimated total costs are the expected recovery of variations, claims and compensation events;

- evaluating the appropriateness of the estimated total costs of the contract at completion by assessing the basis of their calculation, which included supplier quotes and contracts and other relevant costs in deriving the estimates;

- evaluating the appropriateness of the accounting policies based on the requirements of MFRS 15, our business understanding and industry practice;

- assessing the appropriateness of management's revenue recognition under MFRS 15 across significant revenue streams for a sample of contracts; and

- assessing the completeness, accuracy and relevance of disclosures required by MFRS 15.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

Responsibilities of the Directors for the Financial Statements (continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Matter

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

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

Tai Yoon Foo
Approval Number: 02948/05/2022 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 8 April 2021

PARTICULARS OF GROUP PROPERTIES

The properties of the Group as at 31 December 2020 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	24 years	14/03/2002	223
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	41 years	15/03/2002	746
Envitech Sdn Bhd	No.79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	16 years	15/05/2013	968
Envitech Sdn Bhd	No.81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	16 years	15/05/2013	1,161
Eco-Coach & Tours (M) Sdn Bhd	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	15 years	23/01/2013	953
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	15 years	23/01/2013	952
Green Fleet Sdn. Bhd.	Lot 64284, Jalan Perigi Nanas 8/7, Taman Perindustrian Pulau Indah, 42920 Pulau Indah, Selangor Darul Ehsan	400 sq. feet of office	7 years	26/06/2018	179
					5,182

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	18 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	12 years	22/10/2009	89
Envitech Sdn Bhd	Unit No. 2, Corner Ground Floor, Block E Shop & Office At Pulau Melaka	3,358 sq. ft. of corner ground shop & office	11 years	1/11/2011	781
Envitech Sdn Bhd	Unit No. 7, Intermediate Ground Floor, Block .K Shop & Office At Pulau Melaka	1,540 sq. ft. of intermediate ground shop & office	11 years	1/11/2011	367
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	11 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	11 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	11 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	11 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	11 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	11 years	10/11/2011	306
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	11 years	10/11/2011	406

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Unit No. Parcel 12A, 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	9 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	9 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	9 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	9 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	9 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	9 years	22/11/2012	338
Envitech Sdn Bhd	Unit No. Parcel 27-1, Lot 329 (55-1), 1st Floor, Block U Shop & Office At Pulau Melaka	3,007 sq. ft. of corner shop	9 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	9 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	9 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	9 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	9 years	22/11/2012	136
Envitech Sdn Bhd	42, Jalan Gunung Nuang U11/45, Bukit Bandaraya Shah Alam, 40170 Shah Alam, Selangor	2,125 sq. ft. of double storey house	1 year	26/12/2019	703

PARTICULARS OF GROUP PROPERTIES

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	44, Jalan Gunung Nuang U11/45, Bukit Bandaraya Shah Alam, 40170 Shah Alam, Selangor	2,125 sq. ft. of double storey house	1 year	26/12/2019	703
Envitech Sdn Bhd	46, Jalan Gunung Nuang U11/45, Bukit Bandaraya Shah Alam, 40170 Shah Alam, Selangor	2,127 sq. ft. of double storey house	1 year	26/12/2019	811
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1.	1,555 sq. ft. of service apartment	13 years	31/12/2015	550
					9,924

LAND HELD FOR PROPERTY DEVELOPMENT

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

ANALYSIS OF SHAREHOLDINGS AND WARRANTHOLDINGS

as at 31 March 2021

I. Analysis of Shareholdings

Number of issued shares		:	1,012,413,655 ordinary shares (including 24,062,530 treasury shares held)
Class of shares		:	Ordinary share
Voting rights:	On show of hands	:	One vote for each shareholder
	On poll	:	One vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Shares (%)
Less than 100	2,250	107,015	0.010
100 – 1,000	1,295	424,848	0.042
1,001 – 10,000	4,105	23,545,515	2.382
10,001 – 100,000	5,922	199,648,183	20.200
100,001 – less than 5% of issued shares	1,095	606,714,001	61.386
5% and above of issued shares	2	157,911,563	15.977
Total	14,669	988,351,125	100.00

List of Substantial Shareholders

	Direct Interest		Indirect Interest	
Name of Substantial Shareholders	No. of shares	Percentage of Issued Shares (%)	No. of shares	Percentage of Issued Shares (%)
Naga Muhibah Sdn. Bhd.	94,194,587	9.530	-	-
Tan Sri Dato' Tee Tiam Lee	54,512,601	5.516	63,716,976 (1)	6.447
Datin Goh Phaik Lynn	-	-	94,194,587 (2)	9.530
	-	-	423,598 (3)	0.043
	-	-	5,083,234 (4)	0.514
Dato' Leong Kok Wah	5,083,234	0.514	423,598 (3)	0.043
	-	-	94,194,587 (5)	9.530
Tee Xun Hao	220,271	0.022	63,716,976 (1)	6.447
Infra Tropika Sdn Bhd	63,716,976	6.447	-	-

Notes:
(1) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(2) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(3) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
(4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
(5) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
1	NAGA MUHIBAH SDN BHD	94,194,587	9.530
2	INFRA TROPIKA SDN BHD	63,716,976	6.447
3	TAN HENG TA	36,196,079	3.662
4	TAN SRI DATO' TEE TIAM LEE	36,141,615	3.657
5	KONG HON KONG	32,889,094	3.327
6	LEE THIAM LAI	29,240,857	2.958
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEH BENG KHIM (MY3941)	21,000,000	2.124
8	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	18,370,986	1.859
9	TENG LI LING	11,735,477	1.187
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE THIAM LAI	10,344,827	1.046
11	CHIN CHIN SEONG	10,032,698	1.015
12	PEMBINAAN PUNCA CERGAS SDN. BHD.	8,900,000	0.900
13	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	5,083,234	0.514
14	CHIN CHIN SEONG	4,509,737	0.456
15	YEAT SIAW PING	4,416,900	0.446
16	LOW KHEK HENG @ LOW CHOON HUAT	3,923,251	0.396

ANALYSIS OF SHAREHOLDINGS AND WARRANTHOLDINGS
as at 31 March 2021

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
17	GHS STRATEGIC HOLDINGS SDN BHD	3,726,365	0.377
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	3,628,476	0.367
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	3,585,076	0.362
20	LEE CHEN MOW	3,500,000	0.354
21	DATO’ SERI (DR.) GOH ENG TOON	3,247,620	0.328
22	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	3,045,926	0.308
23	GOH SENG KUANG	3,000,000	0.303
24	OOI CHENG SWEE @ WEE KWEE SWEE	2,788,717	0.282
25	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SWEE YEE (MY3759)	2,700,000	0.273
26	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	2,665,183	0.269
27	JFCB HOLDINGS SDN BHD	2,624,017	0.265
28	DATO’ CHOONG MOH KHENG	2,608,677	0.264
29	LEOW HONG YEN	2,500,000	0.252
30	DATO’ DR. FREEZAILAH BIN CHE YEOM	2,471,580	0.250
		432,787,955	43.788

Directors' Shareholdings

	Direct Interest		Indirect Interest	
Name of Directors	**No. of Shares**	**Percentage of Issued Shares (%)**	**No. of Shares**	**Percentage of Issued Shares (%)**
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	54,512,601	5.516	63,937,247 (1)	6.469
Dato' Leong Kok Wah	5,083,234	0.514	423,598 (2)	0.043
	-	-	94,194,587 (3)	9.530
Datin Goh Phaik Lynn	-	-	423,598 (2)	0.043
	-	-	5,083,234 (4)	0.514
	-	-	94,194,587 (5)	9.530
Dato' Choong Moh Kheng	2,608,677	0.264	8,900,000 (6)	0.900
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:
(1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through shares held by child (Tee Xun Hao)
(2) Deemed interested through the shares held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
(3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(4) Deemed interested through the shares held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
(5) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(6) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

ANALYSIS OF SHAREHOLDINGS AND WARRANTHOLDINGS
as at 31 March 2021

II. Analysis of Warrantholdings

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

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

Distribution of Warrantholdings

Size of Warrantholdings	Number of Warrantholders	Number of Warrants	Percentage of Outstanding Warrants (%)
Less than 100	2,562	90,936	0.027
100 – 1,000	759	334,430	0.099
1,001 – 10,000	3,440	15,148,976	4.501
10,001 – 100,000	2,305	76,954,042	22.864
100,001 – less than 5% of outstanding warrants	425	167,638,825	49.808
5% and above of outstanding warrants	3	76,399,434	22.699
Total	9,494	336,566,643	100.00

List of 30 Largest Warrantholders

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
1	NAGA MUHIBAH SDN BHD	35,207,844	10.461
2	INFRA TROPIKA SDN BHD	23,815,990	7.076
3	TAN SRI DATO' TEE TIAM LEE	17,375,600	5.163
4	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR TEO CHEE KOK	3,523,000	1.046
5	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PUA LUAN (MY2420)	3,205,600	0.952
6	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR NG WYMIN (M09)	3,000,000	0.891
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	3,000,000	0.891
8	GAN CHING HAN @ PAUL NGAN CHING HAN	2,530,000	0.751
9	PEMBINAAN PUNCA CERGAS SDN. BHD.	2,500,000	0.743
10	TEOH SENG LEE	2,200,000	0.653
11	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HO CHEE YAN (030)	1,950,011	0.579
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BEH HANG KONG	1,928,550	0.573
13	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	1,900,000	0.565
14	WAN AHMAD SHAIPUDDIN BIN WAN IBRAHIM	1,680,900	0.499
15	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,638,500	0.486
16	MOHD SYAZUWAN BIN ABD JALIL	1,411,600	0.419

ANALYSIS OF SHAREHOLDINGS AND WARRANTHOLDINGS
as at 31 March 2021

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
17	TAN GIN LEE @ TAN JIN LEE	1,400,000	0.415
18	GHS STRATEGIC HOLDINGS SDN BHD	1,392,833	0.413
19	LEE BEE GEOK	1,374,300	0.408
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,337,555	0.397
21	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR YAP YEE HUAT	1,300,000	0.386
22	HO CHEE YAN	1,300,000	0.386
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANB RESOURCES SDN BHD (E-SPG/SSA)	1,300,000	0.386
24	WONG MING LIONG	1,300,000	0.386
25	LEE KUAN WOON	1,250,000	0.371
26	DATO' SERI (DR.) GOH ENG TOON	1,213,888	0.360
27	M.ELANGKUMARAN A/L MASLAMANY	1,200,000	0.356
28	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KIAM LAM (MY3694)	1,100,000	0.326
29	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NYAM CHUN KEONG	1,100,000	0.326
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JURAIMY BIN KHALIL	1,078,300	0.320
		124,514,471	36.995

Directors' Warrantholdings

Name of Directors	Direct Interest No. of warrants	Direct Interest Percentage of outstanding warrants (%)	Indirect Interest No. of warrants	Indirect Interest Percentage of outstanding warrants (%)
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	20,375,600	6.054	23,898,323 (1)	7.101
Dato' Leong Kok Wah	1,900,000	0.565	158,332 (2)	0.047
	-	-	35,207,844 (3)	10.461
Datin Goh Phaik Lynn	-	-	158,332 (2)	0.047
	-	-	1,900,000 (4)	0.565
	-	-	35,207,844 (5)	10.461
Dato' Choong Moh Kheng	-	-	2,500,000 (6)	0.743
Chan Seng Fatt	-	-	-	-
Dato' Rosli bin Mohamed Nor	-	-	-	-

Notes:
(1) (i) Deemed interested through the shares held in Infra Tropika Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(ii) Deemed interested pursuant to Section 59(11)(c) of the Companies Act, 2016 through warrants held by child (Tee Xun Hao)
(2) Deemed interested through the warrants held by children (Leong Yi Ping and Leong Yi Ming) pursuant to Section 8 of the Companies Act, 2016
(3) Deemed interested through the shares held by spouse (Datin Goh Phaik Lynn) in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(4) Deemed interested through the warrants held by spouse (Dato' Leong Kok Wah) pursuant to Section 8 of the Companies Act, 2016
(5) Deemed interested through the shareholding in Naga Muhibah Sdn Bhd pursuant to Section 8 of the Companies Act, 2016
(6) Deemed interested through the shares held in Pembinaan Punca Cergas Sdn Bhd pursuant to Section 8 of the Companies Act, 2016

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth Annual General Meeting of Salcon Berhad ("the Company") will be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Conference Centre, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2021 at 10.30 a.m., to transact the following businesses:-

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. ***[Please refer Note 2]***

2. To approve the payment of the first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2020. [Resolution 1]

3. To approve the payment of Directors' fees of up to RM380,000 for the period from the conclusion of the Eighteenth Annual General Meeting until the next annual general meeting of the Company. [Resolution 2] ***[Please refer Note 3]***

4. To approve the payment of Directors' benefits of up to an amount of RM220,000 for the period from the conclusion of the Eighteenth Annual General Meeting until the next annual general meeting of the Company. [Resolution 3] ***[Please refer Note 3]***

5. To re-elect the following Directors who retire pursuant to Clause 76(3) of the Company's Constitution:- ***[Please refer Note 4]***
   (i) Dato' Leong Kok Wah [Resolution 4]
   (ii) Mr Chan Seng Fatt [Resolution 5]

6. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 6] ***[Please refer Note 5]***

SPECIAL BUSINESS

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

7. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** ***[Please refer Note 6]***

   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and the approval of the relevant regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised to issue and allot shares in the capital of the Company, grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or [Resolution 7] option or offer ("New Shares") from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 20% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 20% General Mandate").

THAT such approval on the Proposed 20% General Mandate shall continue to be in force until 31 December 2021.

THAT with effect from 1 January 2022, the general mandate shall be reinstated from a 20% limit to a 10% limit pursuant to Paragraph 6.03 of the Listing Requirements provided that the aggregate number of such New Shares to be issued, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer by the Company from time to time, at such price, to such persons and for such purposes and upon such terms and conditions as the Directors may in their absolute discretion deem fit, pursuant to this resolution, when aggregated with the total number of any such shares issued during the preceding 12 months does not exceed 10% of the total number of issued shares (excluding any treasury shares) of the Company for the time being ("Proposed 10% General Mandate").

THAT such approval on the Proposed 10% General Mandate shall continue to be in force until:

a. the conclusion of the next Annual General Meeting of the Company held after the approval was given;

b. the expiration of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given; or

c. revoked or varied by resolution passed by the shareholders of the Company in a general meeting,

whichever is the earlier.

(The Proposed 20% General Mandate and Proposed 10% General Mandate shall hereinafter refer to as "Proposed General Mandate".)

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

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

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

8. **Proposed Renewal of Authority for Share Buy-Back** ***[Please refer Note 7]***

"THAT subject always to the Companies Act 2016 ("Act"), the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:- [Resolution 8]

(i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase; and

(ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

(i) To cancel all or part of the Purchased Shares;
(ii) To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
(iii) To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
(iv) To resell all or part of the treasury shares;
(v) To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
(vi) To transfer all or part of the treasury shares as purchase consideration;
(vii) To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
(viii) To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

9. **Continuation in Office as Independent Director** ***[Please refer Note 8]***

"THAT Dato' Choong Moh Kheng who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company." [Resolution 9]

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the approval of the shareholders of the Company at the Eighteenth Annual General Meeting to be held on 23 June 2021, a first and final dividend will be paid via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2020 ("Share Dividends"). The Share Dividends will be credited into Central Depository Securities ("CDS") account of shareholders whose names appear in the Record of Depositors on 30 June 2021. Any fractional entitlement arising from the computation of Share Dividends entitlement will be disregarded.

A depositor shall qualify for entitlement to the dividend only in respect of:-

(a) Shares transferred into the depositor's Securities Account before 4:30 p.m. on 30 June 2021 in respect of transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

Subject to the approval of Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") for the transfer of treasury shares under Share Buy-Back Account via bulk transfer method of debiting and crediting, the treasury shares to be distributed under the Share Dividends will be credited into the entitled CDS account maintained with Bursa Depository within 8 market days from the entitlement date.

BY ORDER OF THE BOARD

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

Kuala Lumpur
30 April 2021

Notes:-

1. APPOINTMENT OF PROXY

(a) For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.

(b) A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.

(c) A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.

(d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

(e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

(f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.

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

(h) The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via TIIH Online website at https://tiih.online. Please follow the procedure as set out in the Administrative Guide for the electronic lodgement of proxy form. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.

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

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

(k) Last date and time for lodging this proxy form is Monday, 21 June 2021 at 10.30 a.m.

(l) Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:-
   (i) Identity card (NRIC) (Malaysian), or
   (ii) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
   (iii) Passport (Foreigner).

(m) For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Audited Financial Statements is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act 2016. Hence, this item on the Agenda is not being put forward for voting by shareholders of the Company.

3. PAYMENT OF DIRECTORS' FEES AND BENEFITS

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting.

The proposed Resolution 2 is to facilitate the payment of Directors' fees for the period from the conclusion of the Eighteenth Annual General Meeting up to the next Annual General Meeting, calculated based on the current Board of Directors ("Board") size. In the event the proposed amount of the Directors' fees is insufficient (due to enlarged Board size), approval will be sought at the next Annual General Meeting for additional fees to meet the shortfall.

The Directors' benefits under proposed Resolution 3 comprises fixed meeting allowance payable to Non-Executive Directors for attendance at the Board and/or Board Committee meetings and other benefits for Executive Directors. The proposed amount is calculated based on the current Board size and the number of scheduled and/or special Board and Board Committees meetings for the period from the conclusion of the Eighteenth Annual General Meeting up to the next Annual General Meeting.

In the event the proposed amount of Directors' benefits is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for the shortfall.

4. RE-ELECTION OF DIRECTORS

Dato' Leong Kok Wah and Mr Chan Seng Fatt are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Eighteenth Annual General Meeting.

The Board has through the Nomination Committee ("NC"), considered the assessment of Dato' Leong Kok Wah and Mr Chan Seng Fatt and agreed that they meet the criteria as prescribed by Paragraph 2.20A of Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

The Board has also through the NC conducted an assessment on the independence of Mr Chan Seng Fatt and satisfied that he has complied with the criteria on independence as prescribed by Bursa Securities Listing Requirements.

5. RE-APPOINTMENT OF AUDITORS

The Board has through the Audit Committee, considered the re-appointment of Messrs KPMG PLT as Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table the re-appointment of Messrs KPMG PLT at the forthcoming Annual General Meeting, included an assessment of the Auditors' independence and objectivity, calibre and quality process/ performance.

6. AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016

The proposed ordinary resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed 10% General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This proposed Resolution is a renewal of the previous year's mandate. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The Board of Directors of the Company is of the view that the Proposed 20% General Mandate is in the best interest of the Company and its shareholders. The Proposed 20% General Mandate will give the Directors the flexibility and cost effectively to raise fund quickly and efficiently to ensure long terms sustainability of the Company and safeguard the interest of the Company and shareholders.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, acquisitions and/or for issuance of shares as settlement of purchase consideration, or other circumstances arise which involve grant of rights to subscribe for shares, conversion of any securities into shares, or allotment of shares under an agreement or option or offer, or such other application as the Directors may deem fit in the best interest of the Company.

As at the date of this Notice, the Company had issued and alloted 139,000,000 new ordinary shares of the Company at an issue price of RM0.195 per share on 20 October 2020 and 26,300,000 new ordinary shares of the Company at an issue price of RM0.255 per share on 28 October 2020 under private placement exercises ("Private Placement") made pursuant to the Proposed 20% General Mandate, which was approved by the shareholders at the Seventeenth AGM held on 29 July 2020 and will lapse at the conclusion of the forthcoming Eighteenth AGM to be held on 23 June 2021.

As at 8 April 2021, the details of the total proceeds amounting to RM33,811,500 raised pursuant the Proposed 20% General Mandate are as follows:-

Utilisation purposes	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Business expansion/ Future investments	21,827	(28,560)	(6,733)
Working capital	11,834	(5,101)	6,733
Estimated expenses in relation to the Private Placement	150	(150)	Nil
Total	33,811	(33,811)	Nil

7. PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

The proposed Resolution 8, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 30 April 2021 in relation to the Proposed Renewal of Authority for Share Buy-Back for further details.

8. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTOR

Pursuant to the Malaysian Code on Corporate Governance, 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.

Dato' Choong Moh Kheng was appointed to the Board on 3 January 2011 as Independent Director. Hence, he has served for more than nine (9) years.

The Nomination Committee and the Board had assessed the independence of Dato' Choong Moh Kheng and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justification:-

(i) he fulfilled the criteria of an Independent Director pursuant to Bursa Securities 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 9, if passed, will enable Dato' Choong Moh Kheng to continue to act as an Independent Non-Executive Director of the Company.

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

This report includes the General Public Information Disclosures, in accordance with the three economic-environment-social standards.

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
1. Organizational Profile					
102-1	Name of the organization	Facts at a Glance	n/a	n/a	6
102-2	Activities, brands, products, and services	Management Discussion and Analysis	n/a	n/a	22-37
102-3	Location of headquarters	Facts at a Glance	n/a	n/a	6
102-4	Location of operations	Facts at a Glance	n/a	n/a	6
102-5	Ownership and legal form	Corporate Structure	n/a	n/a	8
102-6	Markets served	About Us	n/a	n/a	4-5
102-7	Scale of the organization	Facts at a Glance	n/a	n/a	6
102-8	Information on employees and other workers	Employee Demography	n/a	n/a	62-63
102-9	Supply chain	Supply Chain Management	n/a	n/a	54
102-12	External initiatives	Materiality Analysis	17	EWT - 08	49
102-13	Membership of associations	Membership participation	17	SLS - 10	53
2. Strategy					
102-14	Statement from senior decision-maker	Chairman’s Statement	16	n/a	20-21
102-15	Key Impacts,risks & opportunities	Materiality Analysis	16	n/a	49-51
3. Ethics and integrity					
102-17	Mechanisms for advice and concerns about ethics	Ethics & Integrity	16	GRM - 05 GRM - 07 GRM - 12	57
4. Governance					
102-18	Governance structure	Corporate Information	16	GCG - 02	7
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance Structure	16	GRM - 05	40-41
102-21	Consulting stakeholders on economic, environmental, and social topics	Materiality	16	n/a	46-48

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
102-22	Composition of the highest governance body and its committees	Corporate Information	5, 16	GCG - 02	7
102-23	Chair of the highest governance body	Corporate Information	16	GCG - 02	7
102-24	Nominating and selecting the highest governance body	Re-election of Directors	5, 16	GCG - 22	85
102-25	Conflicts of interest	Corporate Governance Overview Statement	16	GCG - 07	84, 86, 88
102-26	Role of highest governance body in setting purpose, values, and strategy	Board Responsibility	16	n/a	84-87
102-27	Collective knowledge of highest governance body	Profile of Directors, Profile of the Key Senior Management	16	n/a	10-17
102-31	Review of economic, environmental, and social topics	Sustainability Governance	16	GRM - 05 GCG - 08	40-41
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	16	GRM - 05	40-41
102-34	Nature and total number of critical concerns	Materiality Analysis	16	n/a	49
5. Stakeholder Engagement					
102-40	List of stakeholder groups	Stakeholder Engagement	n/a	n/a	41-45
102-42	Identifying and selecting stakeholders	Materiality	16	n/a	46-48
102-43	Approach to stakeholder engagement	Stakeholder Engagement	16	n/a	41-45
102-44	Key topics and concerns raised	Stakeholder Engagement	16	n/a	41-45
6. Reporting Practice					
102-45	Entities included in the consolidated financial statements	Investments in Subsidiaries, Investments in Associates, Investments in Joint Ventures	n/a	n/a	150-159
102-46	Defining report content and topic Boundaries	Scope & Boundary Reporting Scope	n/a	n/a	2, 39

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 100: GENERAL DISCLOSURE					
102-47	List of material topics	Materiality Analysis	n/a	n/a	49
102-50	Reporting period	Reporting Scope	n/a	n/a	39
102-51	Date of the most recent report	Report Overview	n/a	n/a	39
102-52	Reporting cycle	Report Overview	n/a	n/a	39
102-53	Contact point for questions regarding the report	Accessibility & Feedback	n/a	n/a	39
102-54	Claims of reporting in accordance with the GRI standards	Reporting Framework Guidelines & References	n/a	n/a	2, 39
102-55	GRI content index	Global Reporting Initiative (GRI) Content Index	n/a	n/a	238-242
GRI 200: ECONOMIC STANDARDS					
GRI 201: Economic Performance					
201-1	Direct economic value generated and distributed	Economic Performance	8, 9	n/a	30-36
201-3	Defined benefit plan obligations and other retirement plans	Workplace Well-being	8	n/a	61-62
GRI 203: Indirect Economic Impacts					
203-1	Infrastructure investments and services supported	Management Discussion and Analysis	7, 9, 11	n/a	22-37
GRI 205: Anti-corruption					
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption	16	GAC - 07 GAC - 08	57
205-3	Confirmed incidents of corruption and action taken	Anti-corruption	16	GAC - 13 GAC - 14	57
GRI 300: ENVIRONMENT STANDARDS					
GRI 301: Materials					
301-1	Materials used by weight and volume	Raw Material Used	8, 12	EPR - 01	74
GRI 302: Energy					
302-1	Energy consumption within the organization	Energy Management	7, 8	ECC - 15	78-79
302-4	Reduction of energy consumption	Energy Management	7, 8	ECC - 40	78-79

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 300: ENVIRONMENT STANDARDS					
GRI 303: Water					
303-1	Water withdrawal by source	Water Management	6, 12	EWT - 34	71
GRI 305: Emission					
305-1	Direct (Scope 1) GHG emissions	Green House Gas (GHG) Emission Management	3, 12, 13	ECC - 14 ECC - 38	76-77
305-2	Energy indirect (Scope 2) GHG emissions	Green House Gas (GHG) Emission Management	3, 12, 13	ECC - 14 ECC - 38	76-77
305-4	GHG emissions intensity	Green House Gas (GHG) Emission Management	13, 14	ECC - 14 ECC - 38	76-77
305-5	Reduction of GHG emissions	Green House Gas (GHG) Emission Management	13, 14	ECC - 14 ECC - 38	76-77
GRI 306: Effluents and Waste					
306-4	Transport of hazardous waste	Pollution & Resources Management	12	EPR - 24 EPR - 26	73-74
GRI 307: Environmental Compliance					
307-1	Non-compliance with environmental laws and regulations	Pollution & Resources Management	16	EPR - 05	68
GRI 400: SOCIAL STANDARDS					
GRI 401: Employment					
401-1	New employee hires and employee turnover	Employee Demography	5, 8	SLS - 24	63
GRI 403: Occupational Health and Safety					
403-1	Workers representation in formal joint management-worker health and safety committees	Occupational Safety & Health	8	SHS - 05	64
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Working Towards Zero LTI	8	SHS - 15 SHS - 38 SHS - 39 SHS - 40	66
GRI 404: Training and Education					
404-1	Average hours of training per year per employee	Training & Development, Employee Demography	4, 8	SLS - 26	61, 63
404-2	Program for upgrading employee skills and transition assistance programs	Training & Development	4, 8	SLS - 26 SLS - 29	61

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standards	Disclosure Item	Section of Disclosure	Mapped to SDGs	Mapped to FTSE4Good	Page
GRI 400: SOCIAL STANDARDS					
404-3	Percentage of employees receiving regular performance and career development reviews	Talent Attraction & Retention	4, 8	SLS - 29	60
GRI 405: Diversity and Equal Opportunity					
405-1	Diversity of governance bodies and employees	Employee Engagement, Diversity & Inclusion	5, 10	SLS - 01 SLS - 02 SLS - 03	61
405-2	Ratio of basic salary and remuneration of women to men	Employee Demography	10	SLS - 01 SLS - 02 SLS - 03	63
GRI 406: Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken	Equal Opportunities & Diversity	10	SLS - 05	61
GRI 413: Local Communities					
413-1	Operations with local community engagement, impact assessments, and development programs	Social Capital	10	SHR - 15	80-82
GRI 418: Customer Privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Client's Satisfaction	16	n/a	54
GRI 419: Socioeconomic Compliance					
419-1	Non-compliance with laws and regulations in the social and economic area	Corporate Governance	16	SLS - 05 SLS - 08 SLS - 21 EWT - 29	57

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Salcon Berhad [200201026133 (593796-T)]

PROXY FORM

CDS Account No.	No. of shares held

I/We, ______________________________ Tel.: ______________
(Full name in block, NRIC / Passport / Company No.)
of ______________________________
(Address)
being a member of Salcon Berhad, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and / or* (*delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Eighteenth Annual General Meeting of the Company to be held at Victorian Ballroom, Level 1, Holiday Villa Hotel & Conference Centre, 9 Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2021 at 10.30 a.m. or any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTIONS	#FOR	#AGAINST
1.	To approve the payment of the first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty-five (45) existing ordinary shares held in the Company in respect of the financial year ended 31 December 2020.		
2.	To approve the payment of Directors' fees of up to RM380,000 for the period from the conclusion of the Eighteenth Annual General Meeting until the next Annual General Meeting of the Company.		
3.	To approve the payment of Directors' benefits of up to an amount of RM220,000 for the period from the conclusion of the Eighteenth Annual General Meeting until the next Annual General Meeting of the Company.		
4.	To re-elect Dato' Leong Kok Wah, who retires pursuant to Clause 76(3) of the Company's Constitution, as Director.		
5.	To re-elect Mr Chan Seng Fatt, who retires pursuant to Clause 76(3) of the Company's Constitution, as Director.		
6.	To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To grant authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	To approve the Proposed Renewal of Authority for Share Buy-Back.		
9.	To approve Dato' Choong Moh Kheng to continue to act as an Independent Director.		

 # Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this ______________ day of ______________ ,2021.

____
Signature*
Member

**Manner of execution:-*
(a) If you are an individual member, please sign where indicated.
(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

NOTES:-

1. For the purpose of determining who shall be entitled to attend this General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 16 June 2021. Only a member whose name appears on this Record of Depositors shall be entitled to attend this General Meeting or appoint a proxy to attend, speak and vote on his/her/its behalf.
2. A member entitled to attend and vote at this General Meeting is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
3. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the General Meeting.
4. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
5. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
7. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
8. The appointment of a proxy may be made in hard copy form or by electronic form. In the case of an appointment made in hard copy form, the proxy form must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. In the case of an appointment of a proxy made in electronic form, the proxy form must be deposited via TIIH Online website at https://tiih.online. Please follow the procedure as set out in the Administrative Guide for the electronic lodgement of proxy form. All proxy form submitted must be received by the Company not less than forty-eight (48) hours before the

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SALCON BERHAD
[200201026133 (593796-T)]

c/o Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

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time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote.

9. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
10. Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
11. Last date and time for lodging this proxy form is Monday, 21 June 2021 at 10.30 a.m.
12. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:-
    (i) Identity card (NRIC) (Malaysian), or
    (ii) Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
    (iii) Passport (Foreigner).
13. For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please bring the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

> **www.salcon.com.my**

Salcon Berhad [200201026133 (593796-T)]
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