STRIVE FOR A BETTER FUTURE

Annual Report **2019**

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
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

Inside This Report

STRIVE FOR A BETTER FUTURE

This covers portrays Salcon's capabilities in providing multiple services in water and wastewater, property development and technology sectors. Being a Company with diversified businesses, Salcon will continue to leverage on its strengths to develop sustainable solutions to support the growth of the communities.

View our Annual Report PDF online version at
https://www.salcon.com.my/investor-relations/Company-Report/annual-report.html

Facts at a Glance

BUSINESS OPERATIONS

Established
1974

>5,000 MLD
Total water treatment capacity successfully delivered

>1,000
Water and wastewater projects completed

376
Employees in all operations
(as at 31 December 2019)

23
Awards and Recognitions

5th
Consecutive year recognised under FTSE4Good Bursa Malaysia Index

GEOGRAPHICAL PRESENCE

SEGMENTAL REVENUE (RM'000)

Engineering & Construction
163,455

Trading & Services
19,181

Property Development
7,773

Concessions
883

Our Business

Salcon Berhad ("Salcon" or the "Company") was listed on the Main Market of Bursa Malaysia Securities Berhad in 2003 as a leading water and wastewater engineering company, with focus on the investment, design, construction, commissioning, operation and maintenance of water and wastewater treatment plants and ancillary facilities across Asia.

The company has successfully completed more than 1,000 water and wastewater projects and enjoys unparalleled reputation as a reliable and capable company in the industry. Salcon was the lead consortium partner in the first water privatisation project in Malaysia. Subsequently we have expanded beyond our national boundary, having participated in various projects throughout the Asian region including Sri Lanka, China, Thailand and Vietnam.

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

The company's investment in technology services via Volksbahn Technologies Sdn Bhd ("VBT") holds much promise in a growing and thriving industry where infrastructure and mobile network needs are expected to grow and mobile broadband in particular, is seen as a growth driver in the local telecom industry. Salcon looks forward to pioneering smart city implementations and operations which focus on sustainable outcomes for citizens, municipal authorities and delivery partners.

Eco Coach & Tours Sdn Bhd ("Eco-Coach") became a Salcon subsidiary in 2011 as part of our diversification strategy under the transportation portfolio. Eco-Coach is committed to provide transport services to multinational companies such as Intel, Western Digital Media in the northern region Malaysia.

Salcon embarked on into the property development business in 2013 with its maiden project, Rés 280 in the fast-developing and vibrant township of Selayang, Selangor. In the current market conditions, the company is currently re-strategising its property development plans and will continue to look for opportunities for growth.

Through the years, Salcon's evolution has been the result of its unwavering focus on its competencies, diversification into strategically related businesses and expansion into new markets. Moving forward, we will continue to reassess our strength to elevate our business growth and sustainability to achieve greater heights.

Our Business

WATER AND WASTEWATER ENGINEERING

Please scan for further details

Salcon provides a wide range of water and wastewater treatment solutions across the globe.

The water division provides customised and comprehensive integrated solutions from raw water management, design, construction and maintenance of water treatment facilities including downstream activities such as non-revenue water reduction, customer service, billings and collection.

PROPERTY DEVELOPMENT

Salcon first ventured into property development with its maiden project, Rés 280 in the fast growing township of Selayang, Selangor.

As an emerging player in the property development, Salcon unveiled its second property venture project – Belfield Crest, Kuala Lumpur. Salcon strives to strengthen the property development by aggressively expanding its landbank and conduct strategic partnership with land owners to unlock value and ensure sustainability of its financial performance.

TECHNOLOGY SERVICES

Salcon via its investment, Volksbahn Technologies Sdn Bhd ("VBT") in partnership with Prasarana Group of companies aim to provide smart city solutions.

VBT has been granted a contract by Prasarana to provide an integrated intelligent technology via the laying of state-of-the-art fibre optic infrastructure along the Prasarana's rails and premises in the Klang Valley and it can lease the infrastructure to telco players for up to 15 years.

TRANSPORTATION AND OTHER BUSINESSES

Salcon involved in the transportation services and other businesses to broaden its income stream to ensure sustainable return to its shareholders.

Salcon's 51.3% owned subsidiary, Eco-Coach & Tours (M) Sdn Bhd was awarded a four-year contract to provide transport services for multinational companies such as Intel and Western Digital Media in the northern region Malaysia.

Salcon also ventured into complementary businesses such as oil & gas services and solar power industry.

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 (Appointed on 30 December 2019)

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' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

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
Ooi Cheng Swee @ Wee Kwee Swee
Jamiluddin Amini Bin Sulaiman
Law Woo Hock

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor (Chairman)
Dato' Leong Kok Wah
Ooi Cheng Swee @ Wee Kwee Swee
Law Woo Hock
Chern Meng Gaik

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

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd [197101000970 (11324H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

STOCK EXCHANGE LISTING

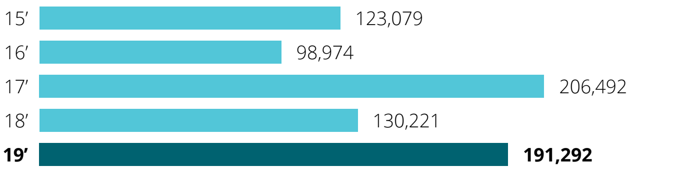
Main Market of Bursa Malaysia Securities Berhad
(Listed since 3 September 2003)
Sector : Utilities
Stock Name : SALCON
Stock Code : 8567

WEBSITE

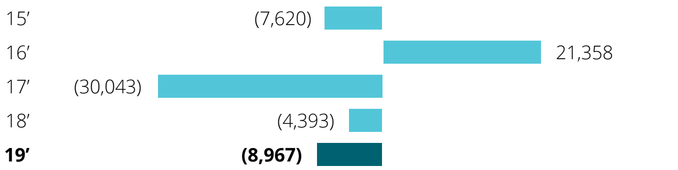
www.salcon.com.my

Financial Highlights

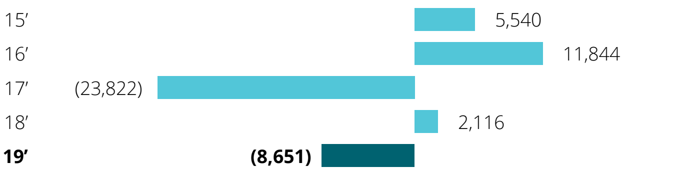
REVENUE (RM '000)



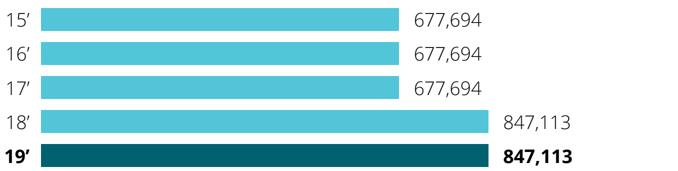
PROFIT / (LOSS) AFTER TAX (RM '000)



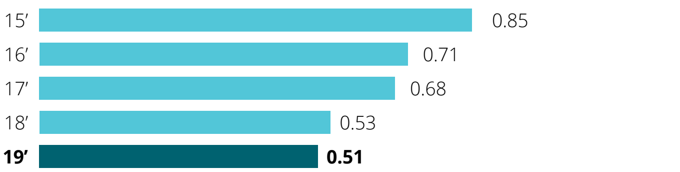
PROFIT ATTRIBUTED TO OWNERS OF THE COMPANY (RM '000)



NO. OF SHARES ISSUED ('000)



NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM)



	2015	2016	2017	2018	2019
Revenue (RM '000)	123,079	98,974	206,492	130,221	**191,292**
Profit / (Loss) Before Tax (RM '000)	19,839	(11,687)	(34,785)	(1,562)	**(7,331)**
Profit / (Loss) After Tax (RM '000)	(7,620)	21,358	(30,043)	(4,393)	**(8,967)**
Profit Attributed to Owners of the Company (RM '000)	5,540	11,844	(23,822)	2,116	**(8,651)**
Total Assets (RM '000)	950,743	727,337	628,905	609,410	**574,291**
Total Liabilities (RM '000)	346,782	204,269	143,777	136,399	**125,066**
Total Equity Attributable to Owners of the Company (RM '000)	576,748	483,982	458,157	451,161	**428,236**
No. of Shares Issued ('000)	677,694	677,694	677,694	847,113	**847,113**
Net Assets per Share Attributable to Owners of the Company (RM)	0.85	0.71	0.68	0.53	**0.51**
Basic Earnings per Share (sen)	0.82	1.81	(3.52)	0.25	**(1.03)**
Dividend per Share (sen)	2.0	*	1.0	**	*******
Return on Equity (%)	0.96	2.45	(5.20)	0.47	**(2.02)**
Share Price (Min) (RM)	0.555	0.545	0.390	0.22	**0.205**
Share Price (Max) (RM)	0.955	0.685	0.705	0.41	**0.31**

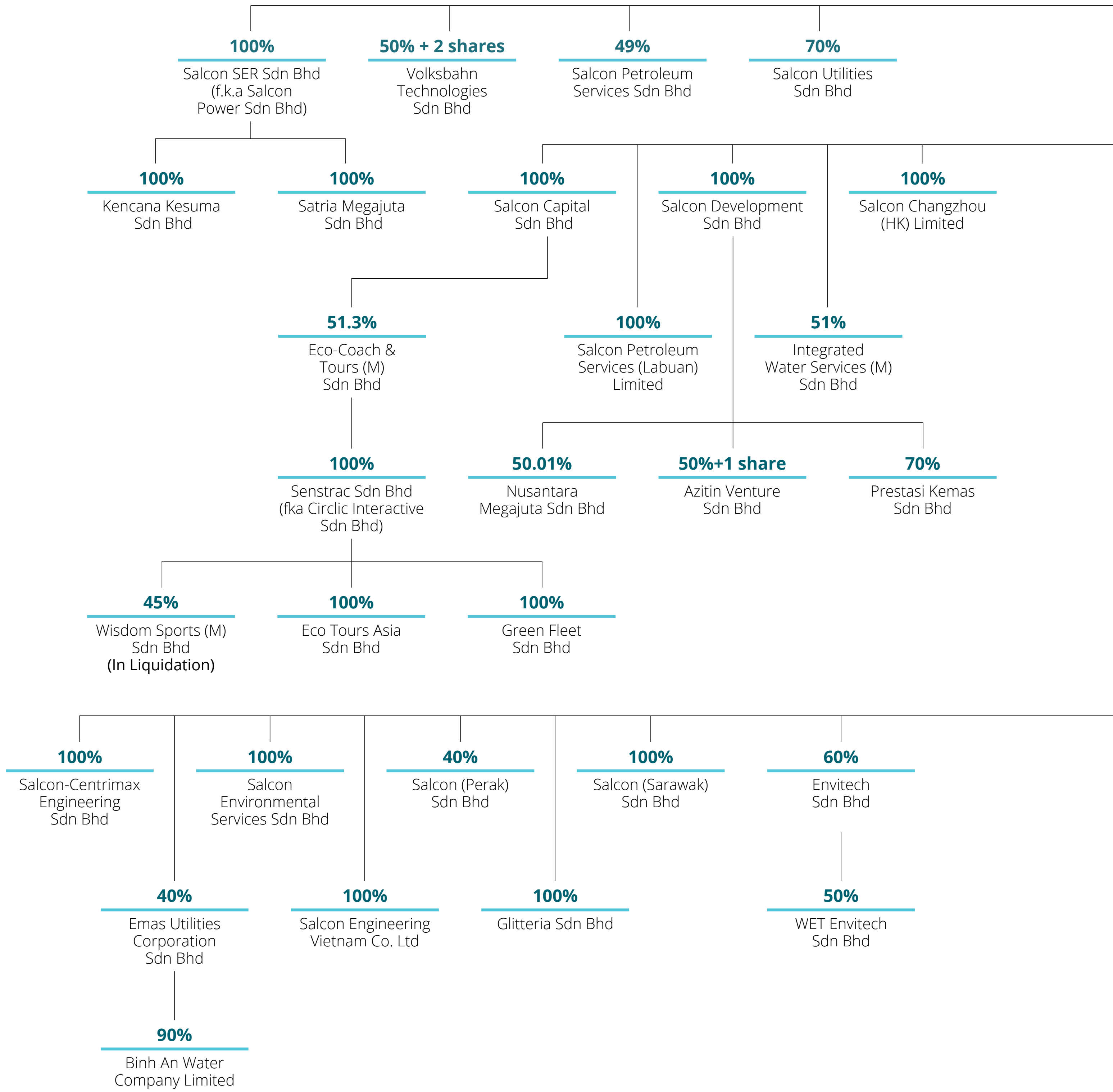
* One (1) Treasury share for every eighteen (18) exisitng ordinary shares held in the Company in 2016.

** One (1) Treasury share for every twenty-nine (29) existing ordinary shares held in the Company in 2018.

*** Proposed one (1) Treasury share for every twenty-nine (29) exisiting ordinary shares held in the Company in 2019.

Corporate Structure

As at 13 April 2020



Corporate Structure

As at 13 April 2020

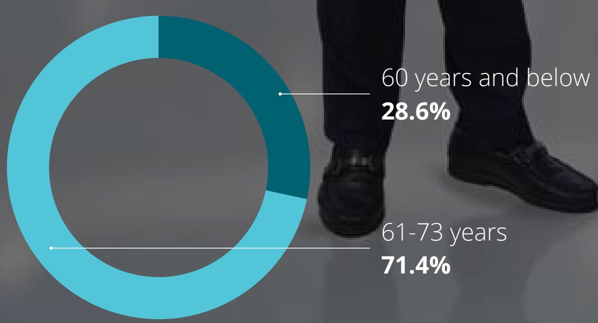
- **salcon**
  - **51%** Salcon Xinlian Sdn Bhd
  - **60%** Salcon Water (Asia) Limited
    - **99.99%** Salcon Services (HK) Limited (1 share held by salcon)
  - **51%** Salcon Xinlian Group Limited
    - **100%** Beijing Xinlian Yitong Technology Co. Ltd
      - **51%** Shanghai ShanMao E-Commerce Co. Ltd
    - **100%** Salcon Investment Consultation (Shanghai) Co. Ltd
    - **64.2%** Signcharge Sdn Bhd
    - **65%** Circlic Sdn Bhd
  - **100%** Salcon Engineering Berhad
    - 1% of Salcon Water (HK) Limited
    - **100%** Precise Metal Sdn Bhd
    - **50%** Salcon MMCES AZSB JV Sdn Bhd
    - **36%** Salcon MMCB AZSB JV Sdn Bhd
    - **100%** Logit Sdn Bhd
    - **100%** Digital Momentum Sdn Bhd
    - **50%** Salcon Loh & Loh JV Sdn Bhd
    - **100%** Bumi Tiga Enterprise Sdn Bhd
      - **100%** Salcon Building Services Sdn Bhd
      - **100%** Skeel Engineering Sdn Bhd
    - **100%** Salcon Petroleum Services (Asia Pacific) Sdn Bhd
      - **100%** JTT Advisory Sdn Bhd
  - **99%** Salcon Water (HK) Limited
  - **100%** Salcon Power (HK) Limited

Board of Directors

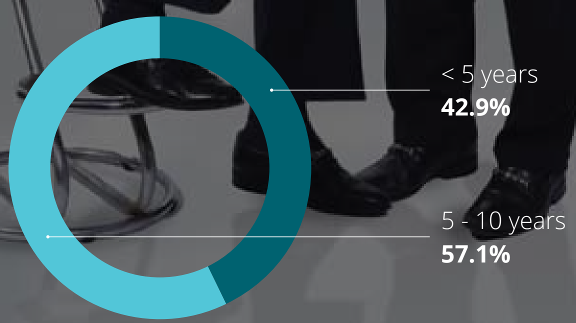
from left to right

1. **Dato' Choong Moh Kheng**
   Independent Non-Executive Director
2. **Tan Sri Abdul Rashid Bin Abdul Manaf**
   Chairman, Independent Non-Executive Director
3. **Chan Seng Fatt**
   Independent Non-Executive Director

Board of Directors Age Composition



Length of Service



Board of Directors

4. **Dato' Leong Kok Wah**
   Executive Director
5. **Tan Sri Dato' Tee Tiam Lee**
   Executive Deputy Chairman
6. **Datin Goh Phaik Lynn**
   Non-Independent Non-Executive Director
7. **Dato' Rosli Bin Mohamed Nor**
   Independent Non-Executive Director

Board of Directors' Profile

1

TAN SRI ABDUL RASHID BIN ABDUL MANAF

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 73 | Malaysian

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 73, 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. He left Government Service in 1977.

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.

2

TAN SRI DATO' TEE TIAM LEE

EXECUTIVE DEPUTY CHAIRMAN

Male | 62 | Malaysian

Tan Sri Dato' Tee Tiam Lee, aged 62, 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 and oil palm plantation business.

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

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

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

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

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

Board of Directors' Profile

3

DATO' LEONG KOK WAH

EXECUTIVE DIRECTOR

Male | 66 | Malaysian

Dato' Leong Kok Wah, aged 66, 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. He also sits on the Board of MUI Continental Berhad (formerly known as MUI Continental Insurance Berhad).

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

4

DATO' CHOONG MOH KHENG

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 64 | Malaysian

Dato' Choong Moh Kheng, aged 64, 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 Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Board of Directors' Profile

5

CHAN SENG FATT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 56 | Malaysian

Chan Seng Fatt, aged 56, 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 Oct 2007 and held the position till Dec 2012.

Mr Chan is currently an Independent Non-Executive Director and the Chairman of Audit Committee of Fitters Diversified Berhad and Star Media Group Berhad. He is also an Independent Non-Executive Director, the Chairman of the Board and Nomination Committee; and a member of Audit and Remuneration Committees of Comfort Gloves Bhd.

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.

6

DATO' ROSLI BIN MOHAMED NOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

Male | 61 | Malaysian

Dato' Rosli Bin Mohamed Nor, aged 61, 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

7

DATIN GOH PHAIK LYNN

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Female | 59 | Malaysian

Datin Goh Phaik Lynn, aged 59, 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.

Notes: -

1. *All Directors are Malaysian.*
2. *There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a Director and major shareholder of the Company by virtue of her interest in Naga Muhibah Sdn Bhd, 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 2019.*

Key Senior Management's Profile

OOI CHENG SWEE @ WEE KWEE SWEE

CHIEF OPERATING OFFICER

66	Male	Malaysian

Date of Appointment	Name of Company
6 June 2011	Salcon Berhad

QUALIFICATION(S)

- Bachelor of Engineering (Civil) (Hons) Degree from the University of Malaya in 1978.

WORKING EXPERIENCE(S)

Ir. Ooi Cheng Swee has 41 years of working experience in infrastructure works, beginning with drainage, road and bridge engineering design upon his graduation. And from 1987 onwards, Ir.Ooi has been involved in waterworks engineering including the construction supervision of water supply schemes, water supply distribution studies and operations and maintenance of water treatment plants.

Ir. Ooi is a Professional Engineer with Practising Certificate registered with the Board of Engineers Malaysia and a Member of the Institution of Engineers Malaysia. Prior to joining Salcon, he was with Puncak Niaga (M) Sdn Bhd for 6 years where his last position was Executive Director for Engineering/ Project Development Division. He is currently holding the position of Chief Operating Officer in Salcon Berhad.

LAW WOO HOCK

CHIEF FINANCIAL OFFICER

55	Male	Malaysian

Date of Appointment	Name of Company
1 November 2005	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, Mr. Law 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.

Key Senior Management's Profile

JAMILUDDIN AMINI BIN SULAIMAN

DIRECTOR - ENGINEERING & PROPOSAL

52	Male	Malaysian

Date of Appointment	Name of Company
29 June 2010	Salcon Engineering Berhad

QUALIFICATION(S)

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

WORKING EXPERIENCE(S)

Jamiluddin Amini Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the last 29 years, which include project management, design, procurement, construction, commissioning and operation. In his current capacity, he oversees the operation of Engineering & Proposal Division which is primarily responsible in preparing detailed engineering design and tender/proposal for water treatment/supply projects in Malaysia and overseas.

Prior to joining Salcon, Jamiluddin's experience includes carrying out detailed studies, preparation of design, tender documents/ drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

While working in the United States, Jamiluddin was involved in developing technology for hazardous wastewater control, operating an inorganic testing laboratory as well as conducting various tests on water, wastewater, soil and sludge.

YAP SUI PON

PROJECT DIRECTOR

66	Male	Malaysian

Date of Appointment	Name of Company
5 October 2010	Salcon Engineering Berhad

QUALIFICATION(S)

- B. Sc Civil Engineering from Teesside University (UK) in 1978
- M. Sc Construction Management from Birmingham University (UK) in 1979.

WORKING EXPERIENCE(S)

Yap Sui Pon has more than 38 years of career experience in civil & building works, construction and design of power plant & water treatment plant.

Yap Sui Pon started his career as Assistant District Engineer from 1979 to 1981 at JKR, Grik, Perak. He was the Project Manager of Emal Construction Sdn Bhd from 1982 to 1987 before leaving for Shinor Construction Sdn Bhd as General Manager from 1987 to 1990. He then joined MRCB/Zelleco Construction Sdn Bhd as Project Director from 1990 to 1998 and from 1998 to 2000, he was the Deputy General Manager (Power Division) of Minconsult Sdn Bhd. He was the Project Director of Zelan Construction Sdn Bhd from 2000 to 2006 and Country Manager (Saudi Arabia) of Zelan Arabia Construction Company Limited from 2006 to 2009.

From October 2010, he was appointed as Project Director to oversee and head the Construction Division at Salcon Engineering Berhad.

Key Senior Management's Profile

LOW BENG PEOW

EXECUTIVE DIRECTOR

73	Male	Malaysian

Date of Appointment	Name of Company
30 August 1984	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 both Government and Private projects since the incorporation of Envitech Sdn Bhd in year 1984.

LEE THIM LOY

MANAGING DIRECTOR

71	Male	Malaysian

Date of Appointment	Name of Company
30 August 1984	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 46 years 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 treatment 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.

Key Senior Management's Profile

LIEW SWEE CHOONG

GENERAL MANAGER

57	Male	Malaysian

Date of Appointment	Name of Company
16 June 2014	Prestasi Kemas Sdn Bhd

QUALIFICATION(S)

- Bachelor of Engineering degree from the National University of Singapore in 1988.

WORKING EXPERIENCE(S)

Liew Swee Choong carries with him more than 30 years of excellence in the planning, execution and completion of property development and construction projects.

Prior to joining Salcon, he held various senior positions in Newfields Property Management Sdn Bhd - a niche property developer and Perdana Park City Sdn Bhd - the developer of the renowned Desa Park City township where he has played significant roles in the successful implementation of many notable development projects.

Notes: -

All key senior management do not have:

(i) Directorship in other public companies.

(ii) Any family relationship with any director and/or major shareholder of Salcon Berhad.

(iii) Any conflict of interests with Salcon Berhad.

(iv) 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 2019.

Chairman's Statement

DEAR VALUED SHAREHOLDERS,

It is my honour as the Chairman of the Group to present to you the Annual Report and Audited Financial Statements of Salcon Berhad ("Company") and its subsidiaries ("Group") for the financial year ended 31 December 2019 ("FYE 2019").

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

Chairman's Statement

The Financial Year 2019 ("FY 2019") was a tough year for the Group as our performance was largely impacted by a challenging operating landscape. As we acknowledge these adversities, the Group maintains a prudent and cautious approach through various cost optimisation and portfolio rationalisation strategies. The Group's 2019 financial results and segmental performance are further detailed in the Management Discussion & Analysis section of this Annual Report.

REWARDING SHAREHOLDERS

Despite the challenging times, the Group remains committed to enhancing value for our shareholders.

I am pleased to announce that the Board has recommended a first and final single tier dividend of every (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of FYE 2019. The dividends will be paid by way of distribution of in specie of shares.

BUILDING LONG TERM SHAREHOLDER VALUE

In the past year, the slowdown in China as a result of trade tensions, low oil and commodity export prices have adversely affected Malaysia's economy, putting pressure on the country's finances. The on-going COVID-19 pandemic has caused major business disruptions due to the Movement Control Order (MCO) imposed to curb its spread. This is expected to reduce Malaysia's economic growth to an estimated -1.5% in 2020.

As the business landscape continues to be surrounded by external challenges, the Group is steadfast in growing long term shareholders value to better position itself in the current market conditions. Consistent with our new vision "To be a respected and synergistic corporation transforming lives for the better", the Group continues to explore diverse business opportunities by focusing on strategic growth drivers, guided by our established governance and risk management framework to safeguard and address the interests of all stakeholders.

The Group's investments and synergistic opportunities in technology services via Volksbahn Technology (M) 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. In the medium to long term, we expect these 2 businesses to contribute more significantly to the Group's operating profit.

In the water and wastewater market in Malaysia, investments by the Government are driven by increasing water supply coverage in rural areas, especially in Kelantan, Sabah and Sarawak, which have the lowest coverage in the country. Whilst in the Klang Valley, key drivers are the upgrading of ageing water distribution infrastructure to reduce Non-Revenue Water (NRW) and increase water reserve margins. The Group is rigorously tendering for water and wastewater projects in Malaysia as well as overseas in Sri Lanka and Vietnam as it focuses on increasing its order books in the Engineering & Construction division.

While there are certainly challenges ahead, the Group will continue to look for growth opportunities while managing costs to ensure the viability of the business. Building on our strengths, we are optimistic that the Group's long-term prospects remain positive.

FORGING A STRONGER SUSTAINABILITY FOOTPRINT

In line with the Group's new Vision, Mission and revised Core Values which encompass all our business activities, our new Sustainability Framework is committed "To transform lives for the better" where we aim to enrich lives by acting sustainably - balancing the social, environmental and economic aspects to make a positive difference to individuals, society and the environment.

During the FY 2019, the Group was included in the FTSE4Good Bursa Malaysia Index for the fifth consecutive year and won numerous sustainability awards. The Group's sustainability journey and commitment to integrating sustainability practices and community initiatives into all aspects of our operations can be found in the Sustainability Statement section in this Annual Report.

BOARD CHANGES & ACKNOWLEDGEMENTS

On behalf of the Board, I am pleased to welcome the first female Non-Independent Non-Executive Director to the Board, Datin Goh Phaik Lynn. Datin Goh's background and experience will expand the diverse viewpoints of our Board and her valuable expertise and professionalism will certainly be an asset to the Group.

I would like to take this opportunity to express my sincere appreciation to our Board members for guiding the Group through this challenging year. Also, sincere gratitude as well to our capable management team and employees for their continued dedication to the success of the Group.

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

Management Discussion & Analysis

1.0 BUSINESS OVERVIEW

Salcon Berhad ("Company") is an investment holding company with core investments in water and wastewater Engineering & Construction, Property Development, Technology Services and Transportation Services.

Creating long term shareholder value is a key priority for the Company and its group of companies ("Group") and the Group is committed to grow its business via a 3-pronged strategy of strong project execution, optimising its business portfolio and prudent risk management to achieve operational efficiencies and long-term sustainable growth.

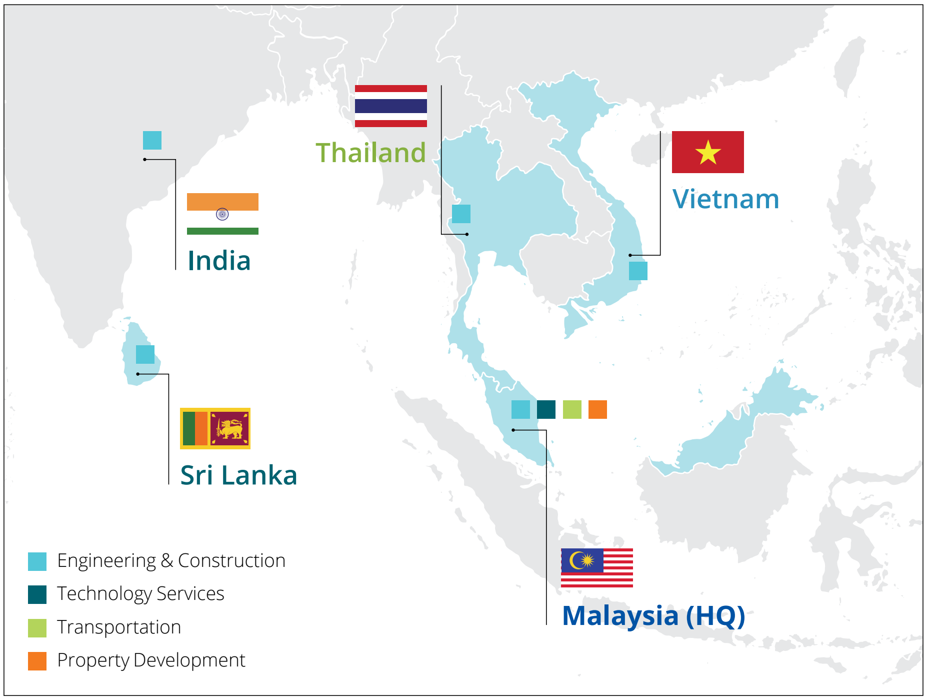
During a series of Strategic Direction Setting and Implementation Workshops held at end 2019 to early 2020, the senior management team together with several members of the Board committed to translate the Company's financial and operational plans for successful implementation and consistent execution through KPIs and measurements. The leadership team also re-aligned the Company direction and revised the Group's Vision, Mission and Core Values to be in line with all our businesses.

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

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

The Group aims to strike a balance between achieving sustainable growth and maintaining capital discipline to deliver the best returns to the shareholders. Our diversified portfolio of Property Development, Technology Services and Transportation ensures our sustainable growth and value creation.

The Group's headquarters is based in Malaysia with business operations across the Asian Region, which are:



Divisions	Key Offerings
Engineering & Construction	Design and build water/wastewater treatment plants, Operation & Maintenance (O&M) services, Non-Revenue Water (NRW) management and control, customer billing & collection.
Technology Services	Provision of Smart Urban Infrastructure Services for Telecommunication Operators, Enterprises, SME, Property Developers and Government.
Transportation	Provision of transport services ranging from workers transportation for multinational companies such as Intel, Western Digital Media and Paramit in the northern region of Malaysia, inbound and outbound tour services and palm oil product tanker logistic services.
Property Development	Boutique developer targeting niche property development.

A review of the Group's business operations and financial performance for the Financial Year End ("FYE") 2019 is reported below.

Management Discussion & Analysis

▲ *Langat 2 Water Treatment Plant – the largest single water contract in Malaysia water industry*

2.0 FINANCIAL PERFORMANCE

The Group reported a higher consolidated revenue of RM191.3 million in FYE2019, compared to RM130.2 million in the preceding financial year, representing an increase of 47%. This was mainly due to higher revenue contribution from the Engineering & Construction division.

However, the Group recorded a higher pre-tax loss of RM 7.33 million compared to RM 1.56 million in the previous year due to one-off expenses comprising of capital gains tax in arrears from the disposal of China assets and impairment of investment in an associate company which accounted for RM14.97 million. The Group's results were also affected by delayed commencement of newly-secured contracts, higher cost incurred due to delays in certain ongoing contracts and continued losses in its Property Division.

Nevertheless, the Group's balance sheet remains strong with healthy cash reserves of RM 121.3 million which will serve as a foundation from which we can continue to look for growth opportunities while managing costs to ensure the viability of the business. The Group maintained a healthy net gearing of 0.06 times as at 31 December 2019 with borrowings totalling RM24.1 million.

In continuing to reward shareholders, the Company maintained consistent records of annual dividend. The Company proposed distribution of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in the Company in respect of the FYE2019.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years. Building on our strengths, we are optimistic that the Group's long-term prospects remain positive.

> "the Group's balance sheet remains strong with healthy cash reserves of RM 121.3 million"

Management Discussion & Analysis

▲ *The Langat Centralised Sewage Treatment Plant equipped with Green Technology such as Bio Gas, Solar Energy, Effluent Water Reuse and Rainwater Harvesting*

Engineering & Construction Division

Financial Highlights

During the year under review, the Engineering & Construction Division remained the key driver of our operations and largest contributor with a revenue of RM163.5 million which accounted for 85% of the Group's total consolidated revenue. This represents an increase of 59% from RM103.1 million in FYE2018 mainly due to the higher work progress of the Kuala Terengganu Utara Water Treatment Plant project which led to a stronger billings.

In line with the higher revenues, the division's segmental profit before tax ("PBT") edged up to RM11.5 million in FYE2019 from RM6.8 million previously, mainly attributable to recognition of share of profits and variation orders from joint ventures projects.

Operational Highlights

The business activities in the water and wastewater Engineering and Construction Division are driven principally by the Group's subsidiaries, Salcon Engineering Berhad ("SEB") and Envitech Sdn Bhd ("Envitech").

During FYE2019, SEB, together with its joint venture partners, successfully completed the testing & commissioning ("T&C") of Section 1 (Stream B) Works with capacity of 565 million litres per day ("MLD") of the Langat 2 Water Treatment Plant in Dec 2019. The T&C for the balance works is scheduled for completion in the first quarter of 2020. Upon completion, the Langat 2 Water Treatment Plant (Package 2A) will benefit 1.8 million users and provide an additional 1,130 MLD to consumers in Selangor, Kuala Lumpur and Putrajaya.

▲ *Rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam is expected to be completed in 2020*

Management Discussion & Analysis

Current major projects on hand include the following:

1) Langat Centralised Sewage Treatment Plant, which achieved physical progress of 93.5% and is expected to be completed in 2020.
2) Rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam, which achieved physical progress of 85% and is expected to be completed in 2020.
3) Design and building of Ambatale Stormwater Pumping Station in Sri Lanka, which achieved physical progress of 73% and is expected to be completed in 2020.
4) Kuala Terengganu Utara Water Supply Scheme (KTU), which achieved physical progress of 39%.
5) Network Pumping Station in Langat catchment and Langat CSTP upgrading works , which achieved physical progress of 94%.
6) Capacity expansion for the Telibong II Water Treatment Plant in Tamparuli, Sabah.
7) Supply and Installation of Mild Steel Pipes at Langat 2 and Water Reticulation System in Selangor and Kuala Lumpur – Package 15(4).
8) Valachchenai Water Supply Project - Plant and Design Build Contract for Civil Mechanical & Electrical Works.

The Engineering & Construction division is constantly and actively tendering for new projects to replenish its outstanding order books. During FYE2019, the division secured more than RM200 million worth of new contracts, both local and overseas.

In Malaysia, SEB was awarded the Telibong II water treatment plant in Tampuruli, Sabah from Rintis Dinamik Sdn Bhd which secured the project from Jabatan Air Negeri Sabah worth RM124.7 million. The project involves the expansion of the existing plant which will increase its capacity from 80 million to 160 MLD and is expected to be completed in 2021. Subsequently, SEB secured a RM39.8 million works package from Pengurusan Aset Air Bhd (PAAB) to supply and install mild steel pipes for the Langat 2 Water Treatment Plant and Water Reticulation System – Package 15(4). For non-revenue water ("NRW") reduction, SEB managed to secure a RM21 million contract from Jabatan Air Negeri Sabah for operating the customer service call centre, monitor and maintaining the District Meter Zones (DMZ), meter reading and billing in Sandakan Water Department.

▲ *Construction of Consumer Building and Sabah Electricity Sdn Bhd substation in intake boundary at Telibong II water treatment plant*

In Sri Lanka, SEB has also secured a RM51 million sub-contract from China Geo Engineering Corporation to carry out mechanical and electrical work for the Valachchenai Water Supply Project. The project is expected to be completed in 36 months from the date of commencement.

On the wastewater side, the Group via Envitech bagged a RM25.7 million contract from Gamuda Land (Botanic) Sdn Bhd to undertake remedial work of existing vacuum sewerage system at KXG 708 & KXG 722 catchments in Bandar Botanic, Klang. The project is expected to complete in 2020.

Looking Forward

The Engineering and Construction division remains active in securing new projects in Malaysia and overseas. The Group's order book stood at RM1.6 billion comprising water and wastewater projects, both locally and overseas with RM427.6 million balance of works to be carried out as at 31 December 2019 remains healthy and is expected to keep the Group busy over the next two years. Based on our track record and expertise in the water and wastewater sector,

Management Discussion & Analysis

we look forward to replenish our order books via competitive tenders for both governmental and private sector-led projects.

During the recent Malaysian Budget 2020 announcement, the government has given a spur for more water industry related initiatives. Approximately RM587 million will be allocated for projects in rural areas, out of which RM470 million has been earmarked for Sabah and Sarawak to meet the target 99% access to clean water. The Ministry of Water, Land and Natural Resources has stated the possibility of an increase in water tariff in 2020 once the Tariff Setting Mechanism (TSM) comes into effect. We expect the higher tariffs to translate to more capital expenditure for the pipe replacement works, NRW reduction programme, new water treatment plants and water infrastructure, presenting orderbook building opportunities to the Group. Additionally, the Federal Government has also approved a total of RM1.9 billion for the implementation of NRW reduction programmes and allocated RM223.35 million for water supply infrastructure development in Selangor to assist water operators in achieving the nationwide NRW target of 31% by 2020 under 11th Malaysian Plan (11MP).

In the overseas market, the Group will continue to strengthen its portfolio in Sri Lanka by tendering for large municipal water supply infrastructure project which are funded by multilateral agencies. The Group will also focus on overseas market such as Vietnam to replenish its order books.

Given the Group's track record and capabilities, we are confident of capitalising on all these opportunities.

Concession Investment Division

The concession for the Binh An water treatment plant located in Ho Chi Minh City, Vietnam with a capacity of 100 MLD ended in August 2019 and was transferred back to the People's Committee of Ho Chi Minh city. For FYE2019, the division recorded a lower PBT of RM2.33 million as compared to RM5.77 million in the previous year. The lower PBT was due to the cessation of the concession.

Property Development Division

Financial Highlights

The Property Division posted a higher revenue of RM7.77 million, a 39% increase compared to RM5.61 million in the preceding year. The division recorded a lower segmental loss after tax ("LAT") of RM1.75 million, a 76% decrease compared to segmental LAT of RM7.14 million in the previous year.

The losses for this division was mainly due to the holding cost of the remaining unsold units of res280 project at Selayang, interest expense on lease

▲ *res280 is strategically located in Selayang and is easily accessible to major cities and towns*

Management Discussion & Analysis

liabilities of Belfield Crest at Kuala Lumpur and realised losses on foreign exchange.

Operational Highlights

The Group via its subsidiary, Salcon Development Sdn Bhd disposed its 20% equity in Eco World-Salcon Y1 Pty. Ltd in April 2019 for A$4.52 million (approximately RM13.25 million). The disposal improved the Group's cashflow position by RM13.13 million and enabled the Group to re-position its financial resources.

Despite the sluggish property market and tighter bank lending to buyers, the Group's small office home office (SOHO) development project res280 in Selayang reached accumulated sales of 84% compared to 78% the previous year due to attractive sale scheme to market the remaining unsold units.

With the weak market sentiment and low household income growth, the division's other property projects have been put on hold pending a review of the development strategy.

Looking Forward

The Group is optimistic to see a modest recovery of property market in 2020 based on the government initiatives to introduce Rent-To-Own Scheme (RTO) in budget report 2020. Through the RTO, RM10 billion financing will be provided by financial institutions with the government's support through a guarantee provision of 30% or RM 3 billion which will indirectly benefit the first-time homebuyers.

The Group will continue to look for strategic partners for potential developments which are aligned with our objectives.

Other Divisions

Transportation

The transportation division, spearheaded by the Eco-Coach & Tours (M) Sdn. Bhd (ECT), operates a total of 142 vans, 38 coaches, 39 MPV, 15 limo vehicles and employs 226 drivers to provide transportation services for its clients which include multinational companies such as Intel, Western Digital Media, Paramit and B Braun Medical.

The transportation division recorded higher revenues of RM17.4 million in FYE2019, representing an increase of 4.2% compared to the revenues of RM16.7 million in preceding year, mainly due to the revenue contribution from its subsidiary, Green Fleet Sdn Bhd ("GF"). This constitutes 9% of the total Group's total revenue during the year under review. However, the division recorded a LAT of RM0.55 million compared to PAT of RM2.41 million in prior year due to the higher operating expenses.

GF provides palm oil and soy oil product transporting service in Central and Northern region of Peninsular Malaysia for client such as PGEO Edible Oils Sdn Bhd (Lumut), Soon Soon Oilmills Sdn Bhd (Westport), Soon Soon Oilmills Sdn Bhd (Prai) and currently operates 11 units of stainless steel and mild steel bulk tankers.

Moving forward, the division will enhance its tracking system by utilising the Senstrac device to achieve a higher tracking accuracy. The device will be able to provide a GPS/4G location tracking, monitor safety based on driver's behavior and driving pattern and operational control. This will ultimately reduce the operating costs, optimise vehicle usage and reduce carbon footprint in future.

▲ *The high quality and comfortable interior of the Semi High Deck Coach used for transporting B.Braun Medical employees*

Management Discussion & Analysis

Technology Services

Spearheaded by Volksbahn Technologies (M) Sdn. Bhd. ("VBT"), the division recorded revenue of RM11.19 million, an increase of 32% compared to RM8.48 million in the previous year. In line with the increase of revenues, the PAT rose from RM0.07 million to RM0.95 million.

The improved performance was contributed by an additional 46 cell sites delivered and fiberised at the stations in FYE2019 resulting in the increase of site rental income for shared infrastructure as well as bandwidth charges.

In FYE2019, the mobile operators which have signed up to VBT infrastructure include U Mobile Sdn Bhd, Celcom Axiata Berhad, Digi Telecommunication Sdn Bhd, Webe Digital Sdn Bhd, Maxis Berhad, NTT Ltd., X86, Symphonet Sdn. Bhd., VC Telecoms Sdn. Bhd. and Fiberail Sdn. Bhd.

The division also provided backhaul services to two new service providers; Allo Technology Sdn Bhd (subsidiary of TNB) and SmartSel Sdn Bhd. Apart from that, VBT has also provided backhaul services to several financial institution such as OCBC Bank, Public Bank Berhad and Bank Negara Malaysia by collaborating with few other service providers.

Moving forward, VBT is exploring with mobile telecommunication companies on leveraging its fiber network for the deployment of 5G coverage in Klang Valley. The plan will be further enhanced by the increase of cell sites utilising the LRT and Monorail track pillars.

In terms of strategic collaboration, VBT looks forward to the opportunities for new developments along the LRT line and target to become a carrier-neutral data center. Among the developments targeted are Datum Jelatek – LRT Station Jelatek, Ara Sentral – LRT Station Ara Damansara, IOI Stellar Suites – LRT Station Bandar Puteri Puchong and BBCC – LRT Station Hang Tuah.

▲ *A 30 meter unipole owned by VBT at Lembah Subang LRT Station*

Solar Power Services

Salcon Power (HK) Limited recorded a lower revenue of RM1.07 million, a 55% decrease as compared to RM2.37 million generated in the previous year. This is based on the remaining balance of 459 units of solar photovoltaic electricity generating systems with a capacity 1,390.5 KW after the Group disposed 1,191 units to ACP Solar Limited during the previous financial year.

3.0 BUSINESS OUTLOOK

Impact of COVID-19

Expectations for a better FY2020 have been revised downwards due to the outbreak of COVID-19 which has caused major business disruptions in Malaysia and around the world as a result of travel restrictions and lockdowns to curb the spread of the virus.

In light of the COVID-19 crisis, it is thus important for the Group to uphold sustainability of our business models and ramp up preparedness for volatile times. In this regard, the Group has activated a Business Continuity Plan ("BCP") with clear lines of communication with our employees, suppliers, clients and other third-party in order to minimise any potential negative impacts. Led by the Chief Operating Officer, the BCP articulates work-from-home (WFH) policies and support functions to project sites via a safe, robust and reliable IT infrastructure. Clear communication channels are set up via platforms such as Skype and Zoom to enable agile and responsive communications across all business units together with emergency contact numbers which are accessible throughout this period. At project sites which have stopped working in line with the Movement Control Order ("MCO"), measures and precautions have been taken by the Group to safeguard the security and sanitation of sites and workspaces.

As part of the Group's strategy to pave the way for recovery and to ensure minimal disruption to our supply chain when business commences, the Group has put in place initiatives to make sure the adequate supply of raw materials and services once MCO is lifted. This is achieved through regular

Management Discussion & Analysis

engagement and communication with our suppliers/sub-contractors to ensure cost optimisation, risk planning and assessment to better manage our resources.

In order to thrive and perform, it is crucial for the Group to align strategically with the new normal that will most likely follow after this high impact COVID-19 event. Recognising the direct impact of COVID-19 on the business operations, the Group will be actively exploring ways to diversify our income and create more revenue resources to grow long term shareholder value through various cost optimisation and portfolio rationalisation strategies.

The Board and Management is committed to Respond, Recover and Thrive to ensure the growth and sustainability of the Group.

Looking Forward

The Group's Engineering and Construction Division, will leverage on its track record, proven capabilities and outstanding portfolio in water and wastewater engineering works to secure contracts to replenish its order books. In Malaysia, key drivers for water investments are the upgrading of ageing water distribution infrastructure to reduce NRW and increase water reserve margins. The Group targets to secure niche NRW related contracts specifically in the Klang valley, where the current operator, Pengurusan Air Selangor Sdn Bhd (Air Selangor) will invest almost RM1 billion over the next three years to replace water pipes as part of its efforts to reduce NRW to 28% by 2020 from the current 35.2%. With the consolidation of the water industry in Selangor almost complete, the Group also stands ready to assist in the upgrading of water

infrastructure on the capacity side water treatment plants as well as distribution to ensure water supply security in the Klang Valley. In Kelantan, Sabah and Sarawak, which have the lowest coverage in the country, the Government has also allocated funds to develop water infrastructure to increase water supply coverage in rural areas.

As for the overseas outlook, the Group remains focussed on building on our competitive strengths and are confident of securing more projects in Sri Lanka and Vietnam given our good track record and successful completion of projects.

Under the Technology Services Division, the Group's performance will be underpinned by the strong demand from the various telecommunication companies to provide fast and reliable bandwidth services for their users. Initiatives by the Malaysian government to launch the 5G Demonstration Project (5GDP) is set to transform the industry giving the country an edge in the race to implement Internet of Things (IoT) and Artificial Intelligence. This boost in demand will provide the Group with extensive opportunities to fully utilise VBT's fibre optic backbone which is strategically located in the heart of Klang valley and to secure more income generating ventures.

Whilst 2020 will be a challenging year, the Group will continue to manage its risks to deliver sustainable growth and build a stable earnings stream by expanding our business portfolio with emphasis in technology enhancement and talent management. We are confident that with the strategic initiatives in place and continued support of all our stakeholders, the Group will emerge better and stronger.

Sustainability Statement

The Group's new sustainability framework which aims to transform lives for the better is focused on creating a sustainable living landscape for the environment and the community within our operations while upholding our mission in providing top quality product & services through operational excellence.

Sustainability Statement

REPORT OVERVIEW

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 13th annual reporting of our Economic, Environmental and Social (EES) performances. In this report, we will share the strategic measures undertaken to strengthen the Company's sustainability performance which include identifying risks, opportunities, mitigation measures undertaken as well as provide measurable targets and progress for our key material issues.

As we continue to benchmark our sustainability performance against global reporting standards as well as local guidelines and frameworks, we voluntarily disclose our climate-related financial disclosures in four key pillars as recommended by the Taskforce for Climate-related Financial Disclosure (TCFD) starting this year. We have also refined and prioritized the 3 primary and 7 secondary Sustainable Development Goals (SDGs) which are most relevant to our business and on which we can make a significant impact.

In line with Group's new Vision & Mission, we introduce a new sustainability framework which aims to lead positive transformation changes to support the implementation and delivery of our commitments for the long-term viability of our business.

Reporting period
1st January 2019 – 31st December 2019

SCOPE OF REPORT

Geographical and Organizational Reporting Coverage

Salcon Berhad and the companies below which spearhead our diversified business operations of which Salcon Engineering Berhad and Envitech Sdn Bhd (water & wastewater operation) contribute 85% of the Group's revenue.

1. Salcon Engineering Berhad (Malaysia & Vietnam water concession operation)
2. Envitech Sdn Bhd (wastewater treatment services)
3. Eco-Coach & Tours Sdn Bhd (transportation services)
4. Azitin Venture Sdn Bhd (property development)
5. Volksbahn Technology Sdn Bhd (technology services)
6. Salcon Power (HK) Limited (solar power investment)
7. Salcon Petroleum Services Sdn Bhd (oil & gas software markng)

Guidelines & References

This report is prepared in accordance with the following guidelines, references and frameworks with the objective to measure, understand and communicate our economic, environmental, social and governance performance to our stakeholders.

Principal Guidelines
- Bursa Malaysia Sustainability Reporting Guide
- Task Force on Climate-related Financial Disclosures (TCFD)

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

The Group's new sustainability framework which aims to transform lives for the better is focused on creating a sustainable living landscape for the environment and the community within our operations while upholding our mission in providing top quality product & services through operational excellence.

This is in line with Salcon's new Vision, Mission and revised Core Values which encompass all our business activities where we aim to enrich lives by committing to acting sustainably - balancing the social, environmental and economic aspects to make a positive difference to individuals, society and the environment.

AWARDS & RECOGNITION

FTSE4Good

Inclusion in FTSE4Good Bursa Malaysia Index for the 5th consecutive year

CSR MALAYSIA AWARDS 2019

CSR Malaysia Awards 2019 – Company of the Year Award in Construction & Engineering Category

asra

Asia Sustainability Reporting Award – Asia's Best Sustainability Report Award

ASEAN HR AWARDS 2019

ASEAN HR Award – (Malaysia Category)

SUSTAINABILITY FRAMEWORK

The new Sustainability Framework outlines the Company's approach through its commitments in the three main pillars i.e. **Economic, Environment and Social.**

	Economic	Environment	Social
Our Commitment	**Transforming Lives for The Better**		
Our Key Areas	Innovative products & services through operational excellence	Protecting the environment	Thriving workforce and happy communities
Key Material Areas	• Financial management & profitability • Ethics & integrity • Clients satisfaction • Project delivery • Corporate Governance • Branding reputation • Technology & Innovation	• Environmental & Climate Change	• Occupational safety & health • Workplace well-being • Equal opportunities & diversity • Training & development • Talent attraction & retention • Community Engagement
Impact on SDGs	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	13 CLIMATE ACTION	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 17 PARTNERSHIPS FOR THE GOALS

Note: *Key material areas have been updated to reflect current stakeholder concerns and the company's key sustainability risks and opportunities in FY 2019. For more details of the materiality assessment, kindly refer to page 34.*

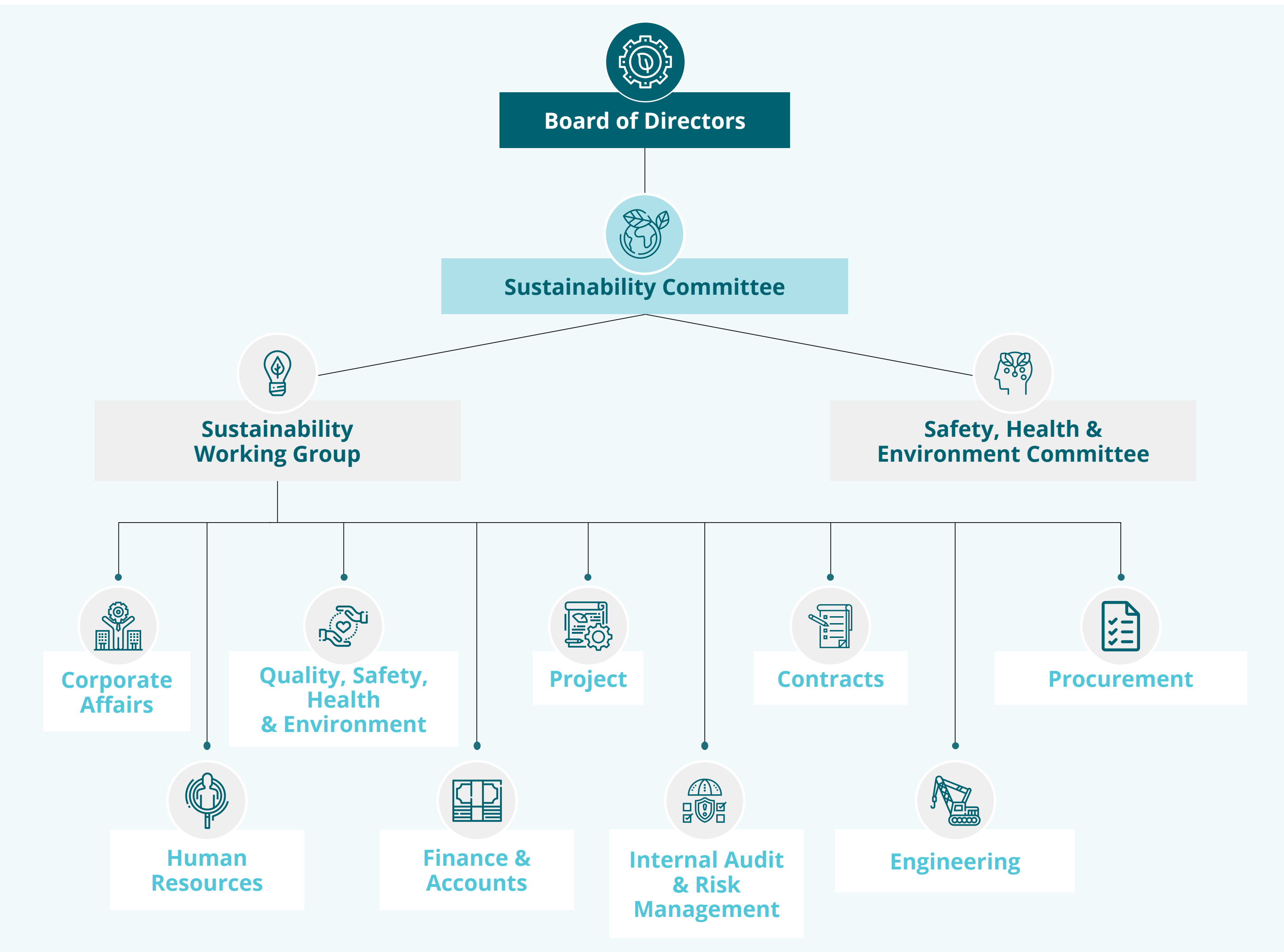
Sustainability Statement

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 instill sustainability principles across the organization and to ensure the Group's long term success.

The Salcon Board of Directors, with the support of the Sustainability Committee (SC), oversees the Group's sustainability strategies and performance. The SC meets at least once a year to review, discuss, evaluate and recommend strategies for improvement. The Sustainability Working Group (SWG) is a cross functional team which is responsible for the implementation of sustainability strategies. The SWG meets on a regular basis and monitors set targets & measures for the Company's EES performance besides collating data for yearly sustainability reporting.

This year, in order to improve workflow efficiency, the Quality Assurance & Quality Control Department (QA/QC) and Safety, Health & Environment (SHE) Department was combined into one and renamed as Quality, Safety, Healthy & Environment (QSHE) Department. Besides that, the Engineering Division was included in the revised Governance Structure to reflect the Company's focus on Technology & Innovation as a key material issue.



Sustainability Statement

MATERIALITY

The Company's materiality assessment was first conducted in FY 2017 and has since undergone yearly reviews and updates to better reflect current stakeholder concerns and the company's key sustainability risks and opportunities.

METHODOLOGY

The materiality assessment process follows Bursa Malaysia and GRI Sustainability Reporting guidelines and helps us to identify risks and opportunities of key material issues which matter most to our stakeholders.

1

Identification and Review of Material Issues from Internal and External Sources
Reviewed all (38) materiality issues in EES aspects to identify its importance in line with the current market conditions and industry trends.

a. Internal source: internal data, employee satisfaction survey
b. External sources: rating & index guideline (FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide, TCFD Recommendations), media reporting, analyst reports, external peer review, clients survey, industry news

2

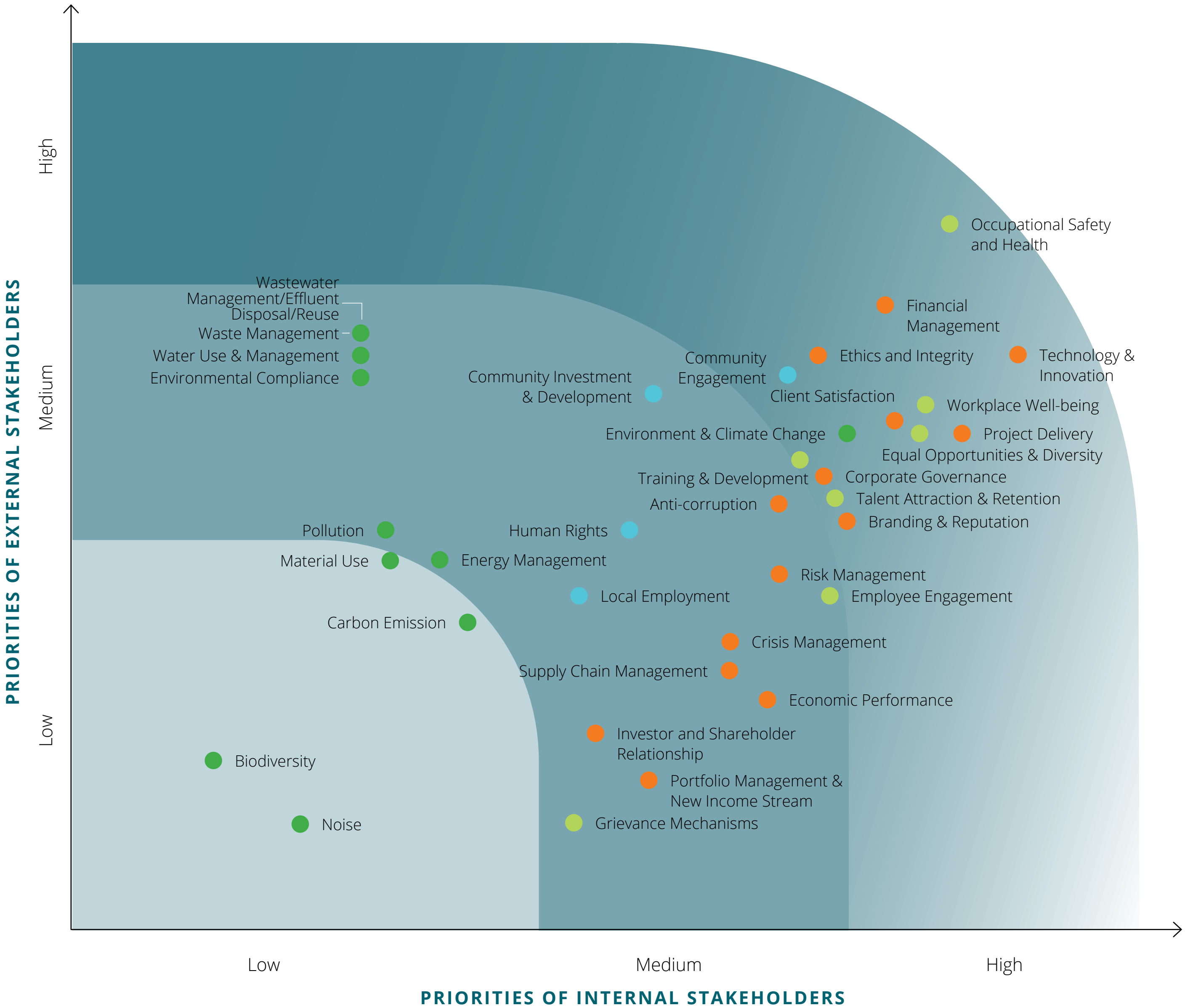
Prioritization - Review & Analysis by The Sustainability Working Group (SWG)
Meetings and consultations were held with the SWG and relevant committees to review the Group's material issues to ensure that they are relevant and reflective of our stakeholder's priorities and aspirations. The SWG collectively reviewed and gauged the material issues which are material to our business from both the Company and stakeholders' perspective. Based on this, the SWG proposed to prioritize and realign the Company's material issues.

The result of this review is further elaborated below under 'Materiality Analysis'.

3

Validation - Presentation to The Sustainability Committee
The outcome of the materiality matrix review & analysis by the SWG was then presented to the Sustainability Committee for validation and approval.

Sustainability Statement



List of 14 Highly Material Issues

No.	Material Issues	Areas
1	Occupational Safety & Health	Workplace
2	Financial Management & Profitability	Marketplace
3	Ethics & Integrity	Marketplace
4	Workplace Well-being	Workplace
5	Clients Satisfaction	Marketplace
6	Project Delivery	Marketplace
7	Equal Opportunities & Diversity	Workplace
8	Training & Development	Workplace
9	Corporate Governance	Marketplace
10	Branding & Reputation	Marketplace
11	Talent Attraction & Retention	Workplace
12	Environment & Climate Change	Environment
13	Technology & Innovation	Marketplace
14	Community Engagement	Community

Legend

- Community issues
- Workplace issues
- Marketplace issues
- Environment issues

Sustainability Statement

MATERIALITY ANALYSIS

This year, we re-assessed our material issues to ensure the veracity of our materiality matrix and ranking of our material issues. This was undertaken by assigning weightages to the stakeholders according to their respective level of influence on our business operations.

Based on the above, the SWG and SC identified 4 medium-ranking material issues i.e. *Environmental Initiatives, Climate Change, Technology & Innovation and Community Engagement* to be elevated as part of our key material issues whereby *Environmental Initiatives and Climate Change* were merged as one material issue and renamed as *Environment & Climate Change* to align our environmental initiatives to climate change issues in order to mitigate the environmental impacts. The elevation is also in line with the TCFD recommendations and the SDG 13: Climate Action & SDG 17: Partnership for the Goals as well as to reflect the increasing concerns of investors on how companies integrate EES issues into company business strategy and the adaptation to the competitive market with innovative technologies nowadays.

Besides that, *Work-life Balance* and *Employee Well-being* were merged as one material issue and renamed Workplace Well-being which enables us to focus on developing an inclusive and happy working environment for our employees through employee engagement initiatives.

This brings a total of 14 key material issues of the Group which are categorized into 4 categories: economic, environment, social - workplace and social - community.

We analyze the risks and opportunities for each of our key material issues, mitigation measures undertaken as well as provide measurable targets and progress, where possible, on our various EES goals, in alignment with SDGs and UNGC principles.

UNGC Principles: 1 & 10

ECONOMIC

Key Material Issues	Risks	Opportunities	Mitigation Measures & Progress (Page Reference)
Financial Management & Profitability	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 and economic growth.	46
Ethics & Integrity	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.	43
Clients Satisfaction	Potential threat on loss of client and business opportunities.	Meeting clients' requirement in terms of costing, timing, technical expertise etc.	47
Project Delivery	Risk of losses arising from payment of compensation and reputation.	Successful completion and delivery of projects on time and within budget.	47
Branding & Reputation	Improper managing of brand and failed stakeholders' communications could result in reputational damage.	Building our business credibility, reputation and brand through effective communications with stakeholders.	48
Corporate Governance	Potential allegations of misconducts by authority or government in relations to ethical business behavior.	Build up trust and integrity through transparent, accountable and responsible business behavior throughout the business operations and value chains.	43
Technology & Innovation	Obsolete technologies leading to lack of competitiveness and loss of business.	Harnessing new skills, competencies and tools to support innovation.	47

Sustainability Statement

UNGC Principles: 7 & 8

ENVIRONMENTAL

Key Material Issues	Risks	Opportunities	Mitigation Measures & Progress (Page Reference)
Environment & Climate Change	Inconsistent and poor climate risk assessments due to lack of credible risk data.	Undertake actions to mitigate the impact towards the environment within our business operations.	49

UNGC Principles: 2, 4, 5 & 6

SOCIAL

Key Material Issues	Risks	Opportunities	Mitigation Measures & Progress (Page Reference)
Occupational Safety & Health	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.	65
Workplace Well-being	Impacts to productivity and losses to the Company.	• Social & recreational activities/ initiatives for employees. • Employees benefits and compliance with all wage laws for all categories of employees.	64
Equal Opportunities & Diversity	Challenges arising from workplace discrimination and unfair treatment.	Fair treatment to all employees, employee diversity in respectful workplace.	59
Training & Development	Outdated skills and knowledge which may limit employee potential.	Training opportunities and career development to employees for self-improvement and development.	63
Talent Attraction & 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.	62
Community Engagement	Lack of community engagement may result in conflicts or tensions especially at project sites.	Create engagement opportunities and provide a platform to voice opinions and give feedback.	67

Sustainability Statement

ALIGNING TO GLOBAL PRINCIPLES

As a responsible business entity, it is crucial that we play a role in providing action plans to address challenges that have been identified by the global community. In alignment with the UNGC Global principles and United Nations Sustainable Development Goals (SDGs), we pinpointed goals that are highly relevant to our businesses, and analyzed our impact in achieving these goals.

SUSTAINABILITY DEVELOPMENT GOALS (SDGS)

This year, we further commit our actions to the SDGs by assessing and prioritizing our contribution to the SDG goals through the principled prioritization process, taking into consideration the following: -

- Risks to people and the environment: the contribution we can make to achieving the SDGs by meeting our responsibility to address potential and actual negative impacts that are linked to our operations and value chains;
- Beneficial SDG-related products, services and investments: the additional contribution we can make to achieving the SDGs by applying our knowledge, skills and other capabilities to benefit people and the environment.

Based on the criteria above, Salcon has identified 3 primary SDGs and 7 secondary SDGs which are in alignment with our business strategy, business operations and our material issues as below:

UNITED NATION GLOBAL COMPACT (UNGC)

Salcon is a signatory of the United Nations Global Compact (UNGC) with commitment to align our business to the Compact's 10 principles in four areas on human rights, labour standards, environment and anti-corruption.

UN GLOBAL COMPACT
WE SUPPORT

Sustainability Statement

Salcon's area of alignment to SDG and UNGC Principles are categorized by EES and presented in the table below. The details of the aligned SDG actions are disclosed in page 42, 49, 58 and 67.

EES Areas	SDGs	UNGC Principles
Economic	Primary: 6 CLEAN WATER AND SANITATION; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Secondary: 7 AFFORDABLE AND CLEAN ENERGY; 11 SUSTAINABLE CITIES AND COMMUNITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights. **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.
Environment	Secondary: 13 CLIMATE ACTION	**Principle 7:** Businesses should support a precautionary approach to environmental challenges. **Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility.
Social	Secondary: 3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS	**Principle 2:** Businesses should make sure they are not complicit in human rights abuses. **Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour. **Principle 5:** Businesses should uphold the effective abolition of child labour. **Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.

STAKEHOLDER ENGAGEMENT & MANAGEMENT

Listening to our stakeholders is crucial to the success of our EES strategies and commitments. Engaging with our key stakeholders regularly enable us to understand their needs and expectations, identify gaps and enable us to make informed assessments and formulate strategies incorporating their views and inputs in our business decisions and the preparation of this report.

We are guided by the AA1000 Stakeholder Engagement Standards and engage with different stakeholder groups through various engagement channels.

Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality Issues	Engagement Approach	Frequency	Values Created	Page Reference
Employees	Employees are the backbone for the Company. They are the greatest and most valuable asset of the Company.	• Occupational safety & health	• Safety & Health Campaign	Annually	• Safe and healthy working environment with better productivity.	65
		• Training & development	• Training opportunities	As needed	• Enhanced skills for improved work efficiency.	63
		• Talent attraction & retention	• Employee performance review & rewards • Employee entitlements & benefits	As needed	• Recognizing our employees' contributions.	62
		• Employee engagement	• Festive celebrations	As appropriate	• Fostering positive relationships amongst colleagues.	64
			• Company Facebook page	As needed	• Up-to-date information on the company's direction/ news.	48
			• Internal newsletter	As needed		
			• Voluntary opportunities	As needed	• Opportunities for employees to give back to the society together.	70
			• Salcon Recreational Club	As needed	• Sports and family-based activities to foster good work-life balance.	64
			• Employees Survey	Bi- annually	• Opportunities for employees to voice out their feedback to the management.	62
Clients/ Customers	Clients are our main income source hence enable us to sustain financially. They provide us a direct gauge of the quality of our services.	• Project delivery	• Client satisfaction survey • Regular project meetings	Annually	• Project delivery within timeline and budget.	47
			• Customers services (at billing services center in Sandakan office)	Daily (working day)	• Fast and prompt attention to customer needs at billing services center.	47

Stakeholder Group	Importance of Stakeholder	Materiality Issues	Engagement Approach	Frequency	Values Created	Page Reference
Shareholders/ Investors	Shareholders provide us with the financial capital needed to sustain our growth.	• Investor and shareholder relationship • Financial performance • Portfolio management & new income stream	• Analysts/ bankers/ fund managers meeting	As needed	• Analyst presentations with positive feedback on information shared. • Return on investment.	48
			• 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.	19
Regulators/ Government Authorities	Regulators and government authorities holds the rights to inspect and assess the compliance of laws and regulations of our Company. This ensure continuous licensed day-to-day operation. Regulators and government authorities are also policy makers which decide on compliance issues and requirements throughout the operations.	• Corporate governance • Anti-corruption • Ethics & integrity • Environmental compliance	• 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.	48
			• 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.	51

Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality Issues	Engagement Approach	Frequency	Values Created	Page Reference
Business Partners/ Associate Partners	Business partners/ associate partners are important for us in strategic business planning and long term business relationships.	• Portfolio management & new income stream • Project delivery • Financial management	• Strategic business planning meetings	As needed	• Improve business and economic performance. • Forge long term bond.	19
Local Community	Communities within our operating area allow us to contribute meaningful socioeconomic development to their lives.	• Community engagement • Local employment • Community investment & development	• Charitable giving	As needed	• Build positive relationships with the community and attend to their needs.	68
			• Internship opportunities	As needed	• Real corporate world exposure for students.	69
			• Environmental education - Conducted 5 Salcon Smart Water Programme and 1 Train The Trainers Programme	Bi-monthly	• Outdoor education learning opportunities for students.	68
			• Salcon Inter-school Water Quiz Competition	As needed	• Raising awareness of local and global water issues.	69
			• Local employment	As needed	• Creation of job opportunities for local communities at project sites.	69
Suppliers/ Sub-Contractors	Suppliers and sub-contractors are our key enablers of project delivery. We work with suppliers and sub-contractors who share the same values with us in EES sustainability.	• Supply chain management • Ethics & Integrity • Corporate governance • Anti-corruption	• Suppliers & sub-contractors evaluation	Annually	• Performance monitoring and Improve efficiency throughout supply chain.	45
			• Tender & bidding/ quotation requests	As needed	• Share the same ethical procurement values.	45
			• Procurement policies & system	As needed		

Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality Issues	Engagement Approach	Frequency	Values Created	Page Reference
Media	Members of the media bridges the Company with the public and is an important channel for building the Company's reputation.	• Branding & reputation	• Media releases • One on One interviews	As needed	Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	48
Non-Governmental Organisations (NGOs)	NGOs are our partners in improving the community's living quality in the social-environmental aspects.	• Community investment & development • Community engagement • Environmental initiative • 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.	53
Industry Associations	Industry associations keep us updated with the latest industry updates and serve as a platform for us to foster better relationship with industry peers.	• Branding & reputation	• Industry exhibitions and conferences • Project site visits and project implementation workshop with the authorities	As needed	• Keeping track with industry updates.	48
			• Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA)	As needed	• Foster good relationships with industry peers.	48

Sustainability Statement

ECONOMIC

Focus Area: Innovative products & services through operational excellence

Re-defining Company direction and business strategy to deliver profitability and maintain a healthy financial performance.

Salcon's alignment to SDGs:

Primary

6 CLEAN WATER AND SANITATION | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Secondary

7 AFFORDABLE AND CLEAN ENERGY | 11 SUSTAINABLE CITIES AND COMMUNITIES | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

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 whilst upholding the principles of transparency and integrity in all aspects of our business practices.

Salcon's alignment to SDGs, material issues and our programmes under Economic section:

SDG Logo	Salcon Alignment to SDGs	Material Issues
6 CLEAN WATER AND SANITATION	**Water & Wastewater Treatment** We treat water and wastewater to provide communities with clean, safe and quality water.	• Water use & management • Wastewater management & effluent disposal/ reuse
8 DECENT WORK AND ECONOMIC GROWTH	**Healthy Economic Growth** We diversified our business into various industries to create higher economic productivity.	• Portfolio management & new income stream
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Water & Wastewater Treatment** Our core services, water & wastewater treatment provides one of the most basic yet essential infrastructure for healthy and sustainable living. **Technology Services** We provide smart city solutions through our joint venture Volksbahn Technologies Sdn Bhd by enabling efficient and fast networks through our fiber optic backbone in the Klang Valley.	• Technology & innovation • Community investment & development
7 AFFORDABLE AND CLEAN ENERGY	**Solar Power** We install solar photovoltaic system in the United Kingdom to provide clean and affordable energy to households.	• Environmental initiatives
11 SUSTAINABLE CITIES AND COMMUNITIES	**Improvement to Living Quality** Our diversified businesses (water, property development, transportation & technology services) create sustainable cities and quality living environment.	• Community investment & development
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Transparency and Integrity** Our core values of teamwork, commitment, professionalism and respect underpin how we work. We are committed to adhere to the highest standards of corporate governance and transparency with zero tolerance on corruption.	• Corporate governance • Ethics & integrity • Supply chain management

Sustainability Statement

In this section, we present our performance at the Marketplace based on the following areas:

1. **Corporate Governance**
   a. Ethics & integrity
      i. Code of Ethics & Conducts
      ii. Anti-corruption
   b. Risk management
   c. Business & human rights

2. **Sustainable Supply Chain**
   a. Suppliers and sub-contractors performance management

3. **Economic Performance**
   a. Financial Management & Profitability

4. **Commitment to Our Clients**
   a. Clients satisfaction & Project Delivery
   b. Technology & Innovation
   c. Branding & Reputation

CORPORATE GOVERNANCE

Good corporate governance is an ongoing commitment shared by our Board of Directors, management and employees in the Group. Guided by the Malaysian Code of Corporate Governance (MCCG), the Board appoints various Board Committees to facilitate, review and make recommendations to maintain compliance to the law and relevant principles, giving our stakeholders the highest level of assurance with regard to business integrity and accountability.

By setting up a clear governance framework, we are able to ensure transparency and accountable business practices throughout the value chain.

For more details on Corporate Governance, kindly refer to the Corporate Governance Statement section in this Annual Report.

Ethics & Integrity

Ethics & integrity is one of the key material issues in our materiality matrix and we expect all business activities to be conducted ethically, honestly and to the highest possible standards of transparency, openness and accountability for our clients, communities and employees.

All directors and employees at Salcon are expected to comply with our Code of Ethics and Conduct (COEC) and Statement of Policy and Business Ethics (SPBE) which encapsulate the Group's stand on ethical responsibility.

Code of Ethics and Conduct

The COEC underpins the Group's commitment to upholding high standards of business ethics and integrity across all our operations. We strive to ensure that all individuals under our employment abide by the code as proof of our commitment to ethical business practices.

The COEC, which was recently reviewed by the Board in FY 2019 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 employee 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 FY 2019.

▲ *The Board ensures the highest level of assurance in business integrity and accountability for our stakeholders*

Sustainability Statement

Anti-Corruption

We remain committed to efforts that address, manage and prevent potential corruption activities within the Group.

In line with the UNGC Principle 10 (Businesses should work against corruption in all its forms, including extortion and bribery) and the SDG 16 (transparency & integrity), the Group maintains its commitment to adopt the highest standards of honesty and integrity in our business activities. We do not tolerate the direct or indirect offer, payment, solicitation or acceptance of bribes in any form within the organisation and take the most serious view of any attempt of corrupt practices by members of staff, contractors, agents and business partners.

In 2017, the Group introduced The Statement of Policy and Business Ethics (SPBE), which draws together the principles to support Salcon's zero tolerance on any form of bribery or corruption by or of its stakeholders. The Board of Directors fully supports the Policy and expect all Salcon employees to act professionally, fairly and with integrity in all business dealing and relationships.

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.

Trainings on Corporate Liability Amendment Act 2018 and Related Party Transaction of Conflicts of Interest were conducted in August and October respectively this year to raise awareness on corporate liability for corruption offences as introduced by the MACC (Amendment) Act 2018 and also to provide knowledge on how to protect the interests of the Company when it is entering into related party transaction with conflicts of interest.

In FYE 2019, we achieved:

- Zero reported incidents of corruption in FYE 2019
- Zero fines/ penalties in FYE 2019 in relation with corruption/ bribery
- Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines

Risk Management

Effective risk management is key to ensuring that potential risks are managed and responded immediately to minimize uncertainties and losses.

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).

In line with the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations, the Sustainability Committee has recommended to the Board to integrate ESG risks into the Group's Risk Management Framework. This was discussed at the RMC and the IARMD has been tasked to incorporate relevant ESG causes, consequences, descriptions and applicable controls into the Integrated Risk Management Policies & Procedures.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. We use

▲ *Construction of Telibong II Water Treatment Plant in Sabah*

Sustainability Statement

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 Statement and Statement of Risk Management and Internal Control sections in this Annual Report.

Business & Human Rights

We are committed to support and respect the protection of internationally proclaimed human rights and to ensure that we are not complicit in human rights abuses as per the UNGC's Principle 1 and Principle 2 in human rights standards.

The Group's whistle-blowing policy provides protection, immunity and anonymity to any aggrieved parties/ stakeholders including employees and intermediaries such as suppliers, sub-contractors, customers and other stakeholders. Under this grievance mechanism, they have the right to report any unfair treatment, misconduct and/ or known instances of wrongdoings. The whistle blowing policy and procedure for reporting is available for download on the Group's website at www.salcon.com.my.

SUSTAINABLE SUPPLY CHAIN

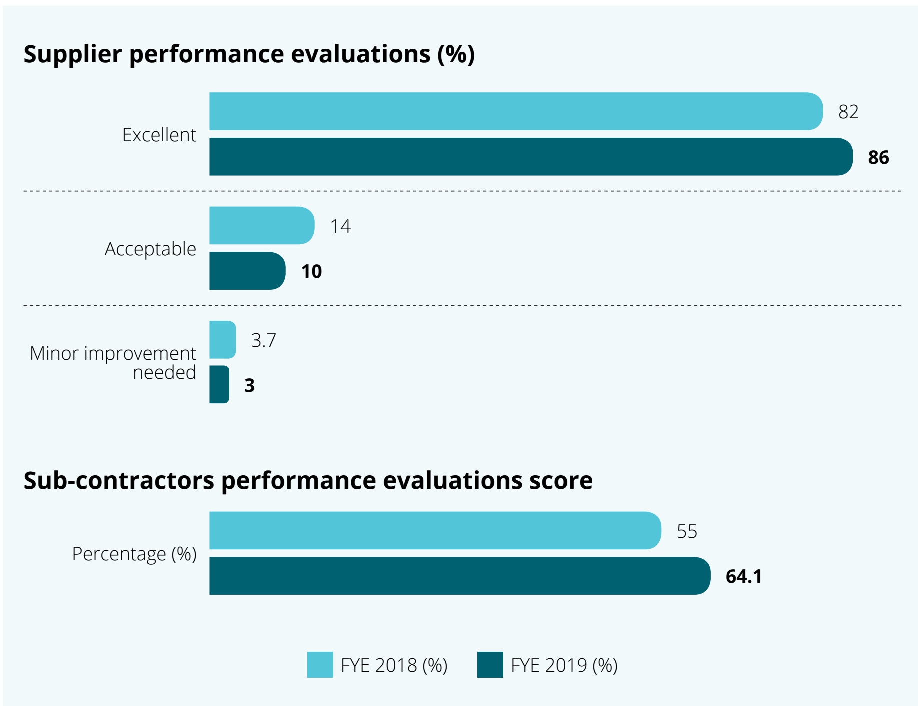
At Salcon, suppliers and sub-contractors are carefully selected to ensure an effective and sustainable supply chain management under our procurement policy.

In alignment with the Group ISO policies i.e. ISO 9001 Project Quality Policy, ISO 14001 Environmental Policy, OHSAS 18001 Policy as well as the Statement of Policy and Business Ethics, all our suppliers and sub-contractors are required to adhere to ethical and sustainable business practices with non-involvement in child labour, forced labour, human trafficking, environmental harm and bribery at all time. A condensed version of these policies is appended together with the appointment of all Salcon's suppliers and contractors who perform services or deliver business for and on behalf of Salcon. Acknowledgement of the Statement is a prerequisite in every Salcon contract.

Suppliers And Sub-Contractors Performance Management

As part of the effort to ensure that our suppliers and sub-contractors comply with our procurement policy and to review any areas of improvement in terms of deliverables, pricing, workmanship, cooperation and emergency response, a yearly evaluation on the suppliers' and sub-contractor's' performance is conducted by the respective project managers. Suppliers and sub-contractors who are unable to meet our criteria will be removed from our suppliers and sub-contractors list to ensure quality deliverables.

We also work with our sub-contractors and provide them with safety and health trainings to drive improvements across the operations.



Sustainability Statement

ECONOMIC PERFORMANCE

During FY 2019, the Group recorded RM 206,046 million gross economic value, a 43.9% of increase compared to the preceding year due to higher contribution from the Engineering & Construction division. The Group's total cash and cash equivalents stands at RM 121.34 million, gearing ratio at 0.06 and total borrowing at RM 24.1 million.

Economic Data (Group level)

Description	2017 (RM '000)	2018 (RM '000)	2019 (RM '000)
Revenue	206,492	130,221	191,292
Other Income and Interest Income	9,744	12,918	14,754
Gross Value Generated	216,236	143,139	206,046
Our Suppliers: Operation Costs	(221,470)	(124,498)	(194,585)
Our Employees: Salaries and Benefits	(38,742)	(27,583)	(28,677)
Our Lenders: Payment to Lenders (Financial Cost)	(4,034)	(3,865)	(3,320)
The Government: Payment to Government	2,707	(2,224)	(2,419)
The Rakyat: Community Investment	(360)	(230)	(71)
Net-Value Added	(45,663)	(15,261)	(23,026)
Our Shareholders: Payment to Shareholders	(21,898)	(6,731)	(7,618)
Our Future: Economic Value Retained	(67,561)	(21,992)	(30,644)

Revenue by Country

Country	2017 (RM '000)	2018 (RM '000)	2019 (RM '000)
Malaysia	198,406	127,823	133,955
Vietnam	-	-	16,575
Sri Lanka	-	-	39,550
Thailand	-	-	15
Others	8,086	2,398	1,197
Total	**206,492**	**130,221**	**191,292**

FINANCIAL MANAGEMENT & PROFITABILITY

The Board recognizes that the Group's financial performance has not been up to expectation especially in the last 2 years. During a series of Strategic Direction Setting and Implementation Workshops held at end 2019 to early 2020, the Senior Management team together with several members of the Board, conducted a postmortem to identify the root causes of the decline in performance and strategised for a turnaround to sustained profitability.

This on-going process will require the management team to put plans into action in the coming year through sustainable cost management, improvement in supply chain processes and understanding what our customers value most. The team is also committed to translating the company's financial and operational plans for successful implementation and consistent execution through KPIs and measurements.

While we focus on enhancing the Group's profitability and business growth through capitalizing our resources, the team has also re-aligned the Company direction and revised the Group's Vision, Mission and Core Values to be in line with all our businesses.

Sustainability Statement

COMMITMENT TO OUR CLIENTS

Client's Satisfaction & Project Delivery

We leverage on our extensive portfolio to deliver invaluable services for our clients. As the market becomes increasingly competitive, complex and dynamic, achieving customer satisfaction has been identified as a key measure for the success of a project and an effective tool for sustaining competitive advantage.

In FY 2019, we conducted a client's satisfaction survey for 11 projects in Malaysia, namely Kuala Terengganu Utara Water Treatment Plant, NRW Marang, NRW Sandakan, Pipe Replacement Project Package 11A, 8 and 6, Langat 2 Water Treatment Plant, Langat 2 Package 15 (4), Ambatale Stormwater project and Langat NPS. On average, we were rated 73.7% by our clients, compared with 60.5% 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.

Successful project delivery is a key indicator of customer satisfaction and we are committed to deliver all projects entrusted to us on time and within budget.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. Our contract with Sandakan Water Department to operate the Customer Service Centre, monitor & maintain the DMZ, meter reading and billing was recently extended for another 5 years. We have 3 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 1 to 5 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 FY 2019, there are no incidents or complaints pertaining to breaches of clients' privacy.

Technology & Innovation

Technology & Innovation was elevated as a Key Material Issue in our materiality matrix to reflect the increasing concerns of investors on how we can adapt to the competitive market with innovative technologies. This is also very much in line with our new Company Mission to provide innovative products & services through operational excellence.

Under the Engineering & Construction Division, the Group has committed to setting a Technology & Innovation committee to: -

1

Identify new technology partners

The Company has formed a joint venture with Fujian Wide Plus Precision Instrument Co Ltd, a China-based enterprise specializing in intelligent precision instruments and industrial automated system kit products to advance the efficiency of smart water metering system. The technology is expected to strengthen the efficiency of the pipe leakage monitoring and smart metering services with the digitalized meters and sensors network connecting system.

2

Work with institutions of higher learning to identify, develop and bring to market new technologies relevant to the water and wastewater industry

As part of our corporate strategy to increase business growth, the Group, via our investment in Volksbahn Technologies Sdn Bhd (VBT) in FY 2014, 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 works with Fujian Wide Plus Precision Instrument Co Ltd to strengthen the efficiency of the pipe leakage monitoring and smart metering services*

Sustainability Statement

BRANDING & REPUTATION

At Salcon, we are committed to building a positive reputation with stakeholders across our footprint through the following platforms to maximize our engagement impacts:

1 Langat 2 WTP Visit by CIMB Analyst

A plant visit at Langat 2 Water Treatment Plant was held for CIMB Analysts in March 2019.

2 Langat Package 15 (4) Project Implementation Workshop

Prior to the commencement of the project, a workshop was conducted for relevant government authorities to brief them the execution plan and also to get their input in the project execution.

Government authorities who attended the workshop include PAAB, Majlis Perbandaran Ampang Jaya, Lembaga Lebuhraya Malaysia, Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (DUKE), Projek Lintasan Sungai Besi- Ulu Klang Sdn Bhd (SUKE), Pengurusan Air Selangor Sdn Bhd, SYABAS, Balai Polis Hulu Klang, Pusat Khidmat Masyarakat ADUN Hulu Kelang.

3 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.

4 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)
   a. Participation & support in the Water Industry Guide, Table Calendar & Annual Dinner
c) International Water Association (IWA)
d) Malaysia Investor Relations Association (MIRA)
   a. Attended seminars/ workshop organized by MIRA
e) Malaysia South-South Association (MASSA)
   a. Participation in Anniversary Dinner and experience sharing on venture into Vietnam market
f) United Nations Global Compact (UNGC) (signatory)
   a. Submission of Communication of Progress (COP)
   b. Being a respondent for Malaysia Human Rights & Climate Change survey
   c. Being one of the Malaysia Human Rights & Climate Change Enabler
g) Malaysia Institute of Corporate Governance (MICG)
h) Malaysia Employment Federation (MEF)

5 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.

Sustainability Statement

ENVIRONMENT

Focus Area: Protecting The Environment

Undertaking actions to mitigate the impact towards the environment within our business operations.

Salcon's alignment to SDGs:

Secondary

13 CLIMATE ACTION

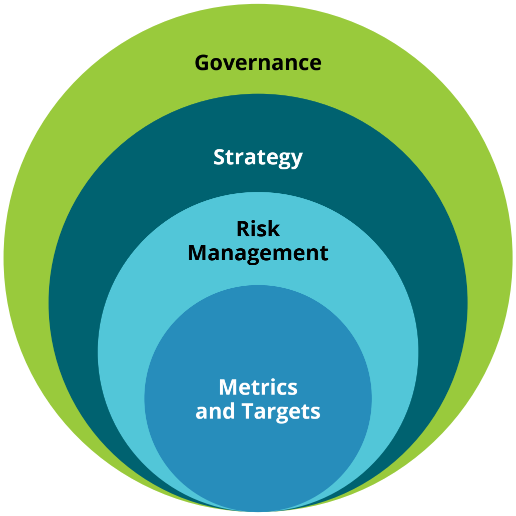
We are committed to protecting the environment by minimizing negative environmental impacts throughout our business operations. In FY 2019, Environment & Climate Change has been elevated as one of the Company's key material issues due to the significant risks and opportunities posed by climate change, environmental pollution and water scarcity.

Salcon's alignment to SDGs and material issues under Environmental Section:

SDG Logo	Salcon Alignment to SDGs	Material Issues
13 CLIMATE ACTION	The company's commitment towards sustainability and environmental management is encapsulated in the Salcon Green Policy which aims to reduce our carbon footprint and pollution in the key areas of energy & water consumption, waste management, procurement, biodiversity and education.	• Wastewater management & effluent disposal/reuse • Waste management • Water use & management • Environmental compliance • Environmental initiative • Pollution • Material use • Energy management • Carbon emission • Biodiversity • Noise • Climate change

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

This year, the Group has adopted the TCFD recommendations to disclose our direct and indirect climate change-related impacts. Whilst we have the building blocks in place to implement the TCFD recommendations into our existing management processes, we recognize that there are areas we need to strengthen specifically in terms of our strategy and disclosure on metrics and targets.



Sustainability Statement

Key Pillars	Salcon's Key Approaches
Governance	• Salcon's board-level has oversight of the Group's climate-related risks and opportunities. The Board is updated on the Group's sustainability strategy and initiatives at least once a year and approves the Sustainability Statement which provides comprehensive disclosures on the company's environmental and climate change agenda.
Strategy	• In FY 2019, Environmental & Climate Change was adopted as one of our key material issues by SWG and validated by the Sustainability Committee. • Embarked on Climate Change Scenario Planning.
Risk Management	• Environment and climate change risks are identified as strategic business risks and embedded into Salcon's Enterprise Risk Management (ERM) framework. • Beyond managing climate-related risks and opportunities under the ERM framework, we also manage operational issues pertaining to climate change, energy, water and raw material supply through the ISO 14001 Environmental Management System.
Metrics and Targets	• Continue to track and monitor a number of climate related metrics including 3-year energy consumption intensity, water consumption intensity & waste generation. • Disclosure of carbon intensity including Scope 1 & 2 GHG emission for FY2019 reporting.

GOVERNANCE

The Board provides oversight of the Group's environmental strategies, initiatives and performance, supported by the Sustainability Committee. The Chief Operating Officer (COO) is the highest executive who is responsible for the Group's environmental performance. All environmental strategies and initiatives are spearheaded by the Quality, Safety, Health, & Environment (QSHE) Department, which is part of the Sustainability Working Group and supported by the S.H.E. Committee. Environmental issues may be raised for discussion and review as part of the Board's meeting agenda.

Environment and climate change issues in our business operation are guided by the ISO 14001:2015 Environmental Management System (EMS) as well as the Group's Environmental and Green Policies.

The ISO 14001 is reviewed annually by the Bureau Veritas and 100% of our project sites which are monitored by the QSHE Department are certified under ISO 14001. Clear goals and targets are set and monitored closely by the QSHE Department and reported in the annual sustainability report. Our environmental performance and obligations are managed with consistency through the EMS with emphasis on improving our overall environmental impact.

Under the Group's Green Policy which was launched in 2016, we further enhance our environmental sustainability efforts in key areas such as energy, water use, pollution, procurement, biodiversity as well as environmental education with the aim to improve resource efficiency and reduce waste.

There were no fines and penalties on issues related to the environment during the period of reporting due to any non-compliance with environmental laws and regulations.

STRATEGY

Recognising that environmental and climate change issues have imminent impact on our business operations, we look to integrate climate change issues into the Group's business operations, strategy and financial planning including adaptation and mitigation efforts. It is also critical for us to assess our internal and supply chain emissions and assess the potential risks and opportunities throughout our operations in order to build a sustainable and resilient business.

In line with the TCFD disclosure, we have identified the risks and opportunities in the areas of market & technology shifts, reputation, policy & legal and physical risks. We will seek to progressively mitigate these impacts to the environment and actively partner with relevant organizations in dealing with climate change issues.

Climate Change Scenario Analysis

The Group conducted a climate change scenario study on how the effects of an increase of >2°C change might affect the company business operations over short, medium and long term. The scope of study covered our key markets i.e. water and wastewater, property development, transportation. Based on the analysis, climate change is projected to bring the following impacts to our businesses directly:

1 Physical Impact

a. Water-related hazards such as flood, water pollution, water scarcity and drought as well as human health may affect our business operations at project sites.
b. Storms and flooding causing damage to buildings and infrastructure.
c. Disruption to transportation operations, including facilities and assets.

2 Legislative Impact

a. Contractual or legal obligations due to uncertainty of water quality, quantity and volume.
b. Changes in infrastructure and building codes under the new Climate Change Act in Malaysia.

3 Financial Impact

a. Increase in cost of raw materials, construction costs and water/wastewater treatment process.
b. Increase in building materials prices leading to higher property prices.
c. Increase in stakeholders pressure - Stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment.
d. Rise in fuel and energy prices.

Climate Change Adaptation Strategies & Initiatives

With the scenarios predicted above, Salcon looks to implement mitigation measures to reduce our environmental impact as much as we can over the short, medium and long term.

Under Salcon's Green Policy, we are committed to reduce our carbon footprint and GHG emissions through:

1. Efficient energy consumption & management
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

As part of our carbon management strategy, we seek to contribute to environmental conservation within the area we operate. We continue to conduct various initiatives in the following environmental focus areas such as energy, water, waste, emission, dust, biodiversity and recycling practices.

Operationally, we comply with the local authorities' rules and regulations on handling dust and managing waste and emissions. We also collaborate with external parties to leverage on their resources to implement our environmental conservation programmes.

Sustainability Statement

Salcon's Environmental Initiatives in the areas of energy management, water management, waste management, emission management, dust management, biodiversity conserviation and recycling are presented in the table below:

Environmental focus area	Actions	Company/ Operation country
Energy Management	Temperature control for air conditioning.	Group level
	Turn off lights in rooms not used.	Group level
	Replacing faulty lights to LED lights which is more environmentally friendly.	HQ, Envitech
	Educating employees on energy saving through posters & emails.	Project sites, Malaysia
	Clear perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang.	Penang
	Solar Panel Installation Investment.	United Kingdom
	Video Conferencing to replace air travel.	Malaysia
Water Management	Non-Revenue Water (NRW) reduction projects in Sandakan. The NRW reduction achievement in FY 2019 is 33% vis-a-vis 35% target reduction.	Malaysia
	Partnership with Non-Government Organization - 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
Waste Management	Scheduled/ hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location.	Malaysia
	Introduction of e-Waste bin at office for employees to dispose household or office e-waste properly.	HQ
Emission Management	Usage of diesel instead of oil for our transportation services.	Penang
Dust Management	Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood.	Malaysia
Biodiversity Conservation	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
	Conducted mangrove tree planting to maintain water quality & avoid soil erosion.	Malaysia
Recycling	Recycle practice at all offices.	Group level
	Recycling & Upcyling campaign/ competition.	HQ
	Setting target of reducing 10% of paper consumption in office by 2020.	HQ

ENVIRONMENTAL COLLABORATION

We collaborate with Non-Governmental Organizations (NGOs) to raise environmental awareness and to contribute green initiatives in the areas of biodiversity, water conservation and recycling. This green initiative reflects our commitment to the Sustainable Development Goal 13 – to take action to combat climate change and its impact.

1 Mitigating Biodiversity Impact through Annual Salcon Mangrove Tree Planting Programme

Our second year of collaboration with **Malaysia Nature Society (MNS)** saw a total of 110 mangrove saplings and 50 mangrove seedling being planted at the Kuala Selangor Nature Park, Selangor. The tree planting activity was also a learning opportunity to the younger generation where approximately 40 dedicated Salcon employees together with 10 of their children were involved in the seedling activity. The planted seedling was contributed to the Community Mangrove Nursery.

2 Water conservation via Salcon Smart Water Programme (SSWP)

We take pride in continuing our efforts to raise awareness on water conservation to the community through our flagship programme - Salcon Smart Water Programme for the 9th consecutive year together with our long-term collaborative partner – **Water Watch Penang (WWP)**. For more information about the programme, please refer to our Social – Community section of this report.

3 Annual Recycling Initiatives

We also worked with **Community Recycle for Charity (CRC)**, a non-profit organization to encourage Salcon employees to recycle, reduce and reuse the items from office and home by organizing an inter-departmental spring cleaning and recycling competition at the end of FY 2019. A total of 1,792.5 kg of paper, plastic, glass, reusable items, metal and electronic items where collected during the campaign. Besides that, an upcycling competition was conducted to allow employees using their creativity and skills to upcycle the waste materials into reusable materials such as using paper clips to organise the cables or recycling plastic bottle planter. For more information about the recycling data, please refer to the environmental data monitoring on page 57 of this report.

RISK MANAGEMENT

As part of our sustainability strategy, the Board and the Sustainability Committee considered risks and opportunities associated with climate change in the context of Salcon's businesses as one of the key material issues in the Group. Environment and climate change issues are updated to the Group's risk scorecard and discussed at the Risk Management Committee. The risks identified include physical and financial climate-related risks such as extreme weather is covered in our framework related to safety and operations.

Sustainability Statement

METRICS AND TARGETS

Environmental data monitoring enables us to track and benchmark our environmental progress and performance. Following a review of the metrics and targets in monitoring our environmental performance, we have since started to monitor the direct and indirect GHG emission data from our operational business units this year.

3-Year Energy Consumption Data

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

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

Energy Consumption at Administrative Offices

	FYE 2017		FYE 2018		FYE 2019	
Office	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
HQ	140,225	122	134,329	140	141,359	238
Envitech	71,942	44	69,502	45	74,513	51
VBT	39,960	16	42,476	17	45,472	17
SPS	9,930	14	14,585	18	9,203	18
Eco-Coach	3,900	20	45,252	20	4,586	22
Green Fleet	n/a	n/a	n/a	n/a	10,713	2
Total	**265,957**	**216**	**306,144**	**240**	**285,846**	**348**
Energy consumption intensity per person (kWh)	**1,231**		**1,276**		**821**	

Note: Data for Green Fleet is not available in FYE 2017 & FYE 2018 as the company only commenced operations in FY 2019.

Energy Consumption at Project Sites

Project sites	FYE 2017 (kWh)	FYE 2018 (kWh)	FYE 2019 (kWh)
KTU WTP	n/a	51,277	61,592
Langat 2 WTP	271,749	276,146	373,756
Langat Package 15 (4)	n/a	n/a	12,980
Telibong WTP	n/a	n/a	14,884
Langat CSTP	74,876	18,749	324,861
Ambatale WTP, Sri Lanka	n/a	n/a	11,072

- *Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.*

Green House Gas (GHG) Emission Data

The GHG emissions factor is based on the internationally recognized 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.

1. **Scope 1: Direct GHG Emissions** – Calculated based on fuel consumption of company owned vehicles extracted from fuel card transaction statement generated by Shell Business Card Operator.
2. **Scope 2: Indirect GHG Emissions** – Calculated based on electricity bills generated by the national electricity utility authority in the respective operating areas.

   As a start, the boundary of GHG emissions disclosure will be confined to Scope 1 and Scope 2 emissions with FYE 2019 as a base year for target setting.

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

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

Administrative Offices	CO_2 emissions (MT equivalent) FYE 2019	
	Petrol	Diesel
HQ	217,756.11	131,891.12
Envitech	103,715.92	61,947.67
SPS	-	20,159.76
Eco-Coach	-	2,891,297.15
Green Fleet	-	712,086.73
Total	321,472.03	3,817,382.43
Total CO_2 emission (MT)	**4,138,854.46**	

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 2017 and 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.

Administrative Offices

Administrative Offices	CO_2 emissions (MT equivalent)		
	FYE 2017	FYE 2018	FYE 2019
HQ	97.32	93.22	98.10
Envitech	49.93	48.23	51.71
SPS	6.89	10.12	6.39
VBT	27.73	29.48	31.56
Eco-Coach	2.71	31.40	3.18
Green Fleet	n/a	n/a	7.43
Total CO_2 emission (MT)	**184.58**	**212.45**	**198.37**

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

Sustainability Statement

Project Sites

Projects	CO_2 emissions (MT equivalent)		
	FYE 2017	FYE 2018	FYE 2019
KTU WTP	n/a	35.59	72.74
Langat 2 WTP	188.59	191.65	259.39
Langat Package 15 (4)	n/a	n/a	9.01
Telibong WTP	n/a	n/a	10.33
Langat CSTP	51.96	13.01	225.45
Ambatale WTP, Sri Lanka	n/a	n/a	7.68
Total CO_2 emission (MT)	**240.55**	**240.25**	**584.60**

Note:
- *The CO_2 emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.*
- *Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.*

3-Year Water Consumption Data

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. Over the last 3 years (FY 2019, 2018, 2017), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water ie dams or rivers.

As at FYE 2019, there are no incidents of non-compliance with water quality/quantity permits, standards and regulations.

Target

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

Water Consumption at Administrative Offices

Office	FYE 2017		FYE 2018		FYE 2019	
	Water consumption (m^3)	No. of employees	Water consumption (m^3)	No. of employees	Water consumption (m^3)	No. of employees
Envitech	365	44	335	45	362	51
SPS	12	14	19	18	13	18
Eco-Coach	19.2	20	7	20	329	22
Total	**396.2**	**78**	**361**	**83**	**704**	**91**
Water consumption intensity per person (m^3)	**5.1**		**4.3**		**7.74**	

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

Water Consumption at Project Sites

Project site	FYE 2017 (m^3)	FYE 2018 (m^3)	FYE 2019 (m^3)
Langat 2	1,928	73,605	22,894
Langat CSTP	841.75	299	5,173
KTU WTP	n/a	2,768	5,484
Ambatale WTP, Sri Lanka	n/a	n/a	869

Note: Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.

3-Year Scheduled Waste Data

Project Site	FYE 2017 (metric tonnes)	FYE 2018 (metric tonnes)	FYE 2019 (metric tonnes)
Langat CSTP	1.27	2.40	0.2
Langat 2	2.18	0.45	-
KTU WTP	n/a	n/a	0.01
Ambatale WTP, Sri Lanka	n/a	n/a	6.00

Note: Data for KTU WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.

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

3-Year Raw Material Used Data

Langat 2 project	FYE 2019 (tonnes)
Chlorine	50
Lime	89
Fluoride	8
Potassium	1
Polymer	1
PAL	657

Note: Langat 2 WTP commenced Testing & Commissioning works in August 2019.

KTU WTP project	FYE 2019 (tonnes)
Reinforcement Bar	1,179.09
Concrete	26,832

3-Year Diesel Consumption Data

Office/ Site	FYE 2017 (liters)	FYE 2018 (liters)	FYE 2019 (liters)
Eco-Coach & Tours	940,801	1,080,521	1,094,773.63
Green Fleet	n/a	n/a	269,627.69

Note: Green Fleet Sdn Bhd (GF), a subsidiary of Eco-Coach & Tours provides oil product logistic services. Data for GF is not available in FYE 2017 & FYE 2018 as the company only commenced operations in FY 2019.

3-Year Recycled Data (kg)

	Paper	Plastic	Metal	Glass	Reusable items	Electronic items
FYE 2017	3,778	0	34	0	0	0
FYE 2018	2,362.4	13.3	24	4.3	76.9	0.5
FYE 2019	2,479.0	22.1	24	4.3	274.9	0.5

Sustainability Statement

SOCIAL - EMPLOYEES

Focus Area: Thriving Workforce

Value our people as the key asset to the Company and to ensure a thriving and sustainable workforce.

Salcon's alignment to SDGs:

Secondary

3 GOOD HEALTH AND WELL-BEING | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

At Salcon, our people are a key element in driving the company's growth. As such, building a thriving and sustainable workforce where employees feel energetic and alive at work is vital in improving job performance, good health, effective leaderships and having a positive work/life balance.

We strive to promote a respectful, diverse, inclusive and collaborative work culture while providing employees with fair remuneration as well as a healthy and safe workplace to ensure our employees thrive and work in the company with maximum productivity.

Salcon's alignment to SDGs, material issues and and our programmes under Social Employees seciton:

SDG Logo	Salcon Alignment to SDGs	Material Issues
3 GOOD HEALTH AND WELL-BEING	We are committed to create a safe and healthy workplace for all employees at office and project sites whilst promoting a healthy work-life balance.	• Occupational safety & health • Workplace well-being
8 DECENT WORK AND ECONOMIC GROWTH	We provide trainings to employees to enhance their skills and competencies for career development and promotion opportunities. We have zero tolerance on child and forced labour and job opportunities are offered according to individual capabilities.	• Training & development • Talent attraction & retention • Human Rights
10 REDUCED INEQUALITIES	We welcome diversity and aim to create a culture of inclusivity with zero discrimination by gender, race, religion or ethnicity at the workplace.	• Equal opportunities & diversity • Employee engagement

EMPLOYEES RIGHTS

Salcon is committed to defending and upholding the welfare and human rights of our employees. We practice fair employment and abide by the Employment Act in Malaysia and similar employment acts in other countries in which we operate. Every employee is entitled to his or her own rights at the workplace, including the right to privacy, fair compensation, and freedom from discrimination. There is no report on grievance or non-compliance on human rights issues in FYE 2019.

Under the Whistleblowing Policy and the grievance mechanism, employee can freely voice out or report any misconduct or issues related to human rights/ employee rights.

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.

Sustainability Statement

Principle	Our actions
No child labour	The Company prohibits the hiring of any child labour or forced labour throughout our business operations and complies with the local laws and regulations in all the countries in which we operate in.
No forced labour	
Freedom in political view	The Company respects our employees' rights to their own political views. However, employees are not allowed to influence other workforce or allow their work performance to be affected by their political views.
Fair treatment	The Company complies with applicable wage laws to ensure fair and decent human resources management practices, including working hours, overtime and minimum wage.
Safe & healthy workplace	The Company provides a safe and healthy workplace and complies with applicable safety and health laws, regulations and internal requirements. For more information, please refer to the Safety & Health at this section.

DIVERSITY & INCLUSION

As one of the key material issue in our Materiality Matrix, we are committed to provide a diverse, inclusive and collaborative work culture as well as an environment that embraces differences so that employees with diverse backgrounds, experience, skill-sets and attitudes are given the opportunity to power the company with new ideas and drive to excel.

In order to promote diversity and inclusion in Salcon, we organize a wide range of activities for employees, including company trips, family days, festive celebrations, movie day, sports events, volunteering activities, activities to promote good health to promote work-life balance as well as an opportunity for employees from different backgrounds and ethnicity to get-together with same vein.

Salcon pursues its commitment to Diversity & Inclusion through the following focus areas:

1 **Equal opportunities & differing ability**

2 **Women empowerment & gender diversity**

Equal Opportunities & Differing Ability

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. Promotions, remunerations or performance incentives are solely based on performance and merit.

Guided by the Group's Equal Opportunity Employment Policy (EOEP) which was formalized at end 2019, it is the Company's aim to recruit suitable people on the basis of qualifications, experience and performance potential regardless of gender, age group, racial, ethnicity, sexual orientation, nationality, religion, cultural background, marital status, disabilities, political inclination or union membership. The EOEP is available on the company's intranet and official website.

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.

Sustainability Statement

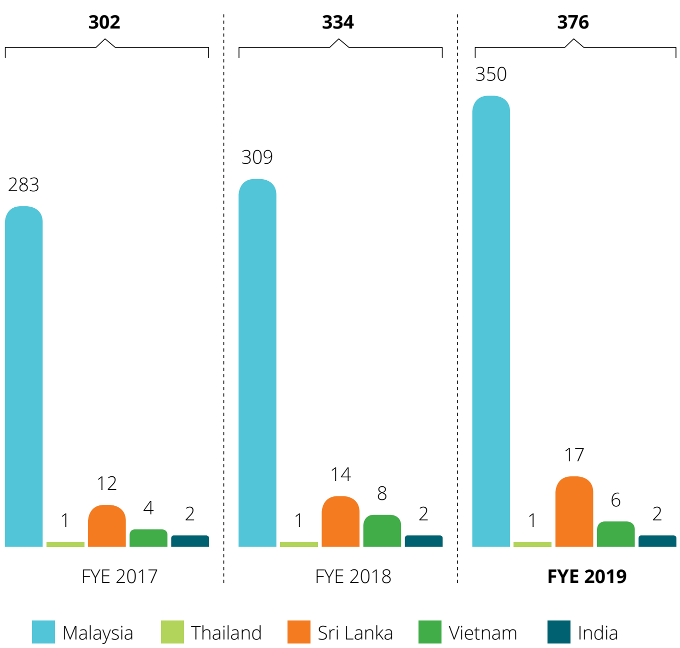
Women Empowerment & Gender Diversity

As at FYE 2019, we have a workforce of 216 male employees and 160 female employees. Female employees account for 42.6% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 26.7% of the senior management consists of female employees, a decrease of 0.3% compared with the preceding year.

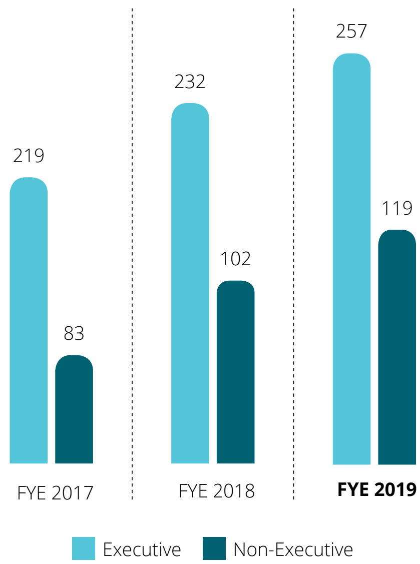
With the aim to elevate the independence and diversity of the Board of Directors, we are pleased to report the appointment of the Company's first female director joining the existing 6 male directors on the Board this year.

▲ *Salcon Movie Day is one of the work-life balance activities organised for the employees and their family*

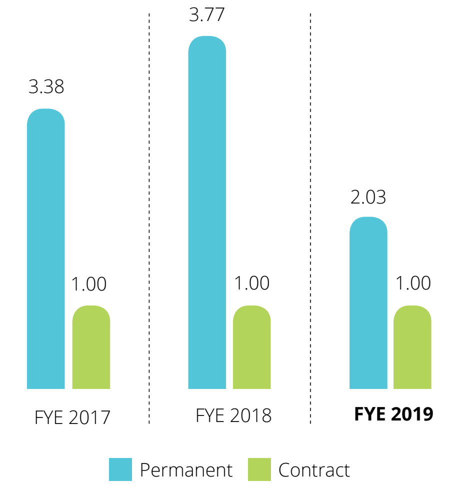
TOTAL NUMBER OF EMPLOYEES



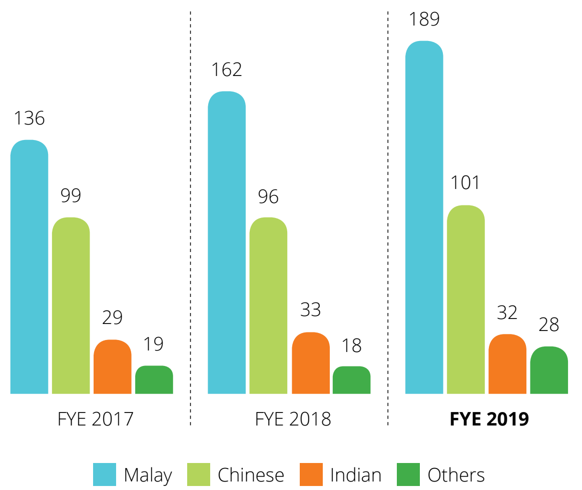
CATEGORY (EXECUTIVE AND NON-EXECUTIVE)



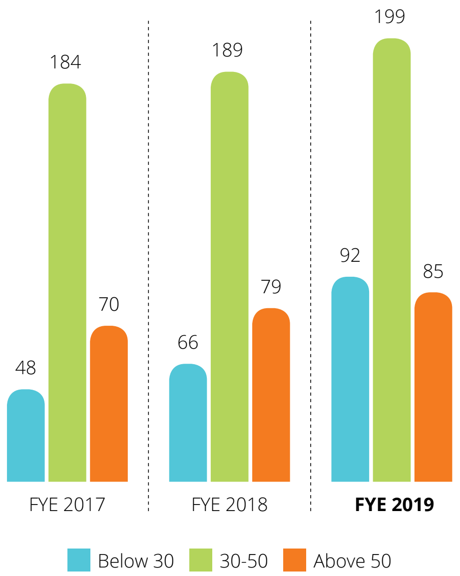
RATIO BETWEEN PERMANENT TO CONTRACT EMPLOYEES



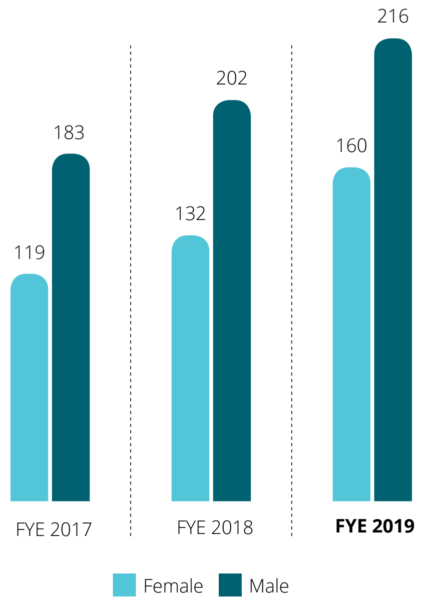
ETHNICITY (MALAYSIA ONLY)



AGE GROUP

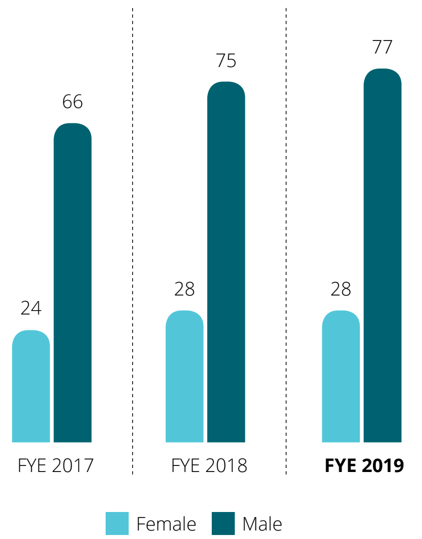


GENDER

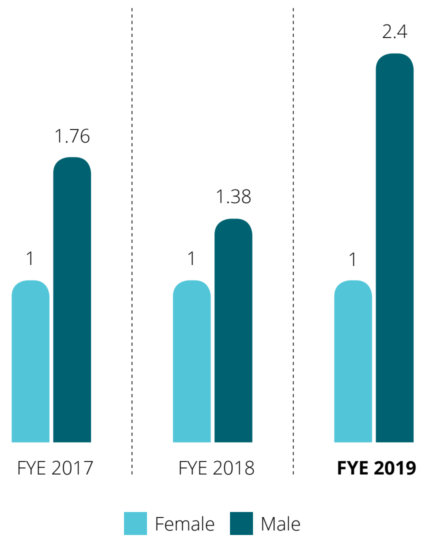


Sustainability Statement

GENDER OF EMPLOYEES WITH POSITION MANAGER & ABOVE



RATIO OF REMUNERATION (MEN VERSUS WOMEN)



HUMAN CAPITAL DEVELOPMENT

In pursuit of grooming our talent, we adopt 2 approaches i.e. talent retention & attraction and training & development in our human capital management.

Talent Retention & Attraction

Attracting and retaining the best talent through learning and development opportunities as well as career prospects is fundamental to continued competitiveness and growth.

We continue to make efforts to engage more effectively with our employees and attract as well as retain our pool of talents through fostering career development opportunities as well as positive work experiences for all. Besides that, we ensure that our wages, benefits and perks are competitive by benchmarking ourselves with our industry peers from time to time.

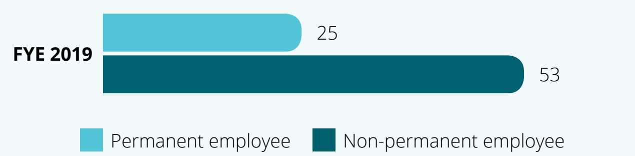
In FY 2019, an Employee Satisfaction Survey (EES) was conducted for all employees in Salcon, covering 220 employees in Malaysia and overseas, with a response rate of 64 %. The survey covered five (5) major areas of materiality issues in workplace, including Employee Well-being, Equal Opportunities & Diversity, Work-life Balance, Talent Attraction & Retention and Training & Development. Through the feedback from the employees, the management gained a better understanding of our employees' expectations and input on the company's operations and their work environment. The survey enabled the management to determine the strategy to attract, retain and develop talents in a sustainable manner.

Yearly job performance appraisals are conducted to evaluate our employees' job performance and development potential based on personal Key Performance Index (KPI) and core competencies. Rewards are offered according to employees' performance based on our Performance Management System (PMS).

In FYE 2019, our full-time employee turnover rate stands at 7.4%.

FULL TIME EMPLOYEE TURNOVER RATE

NEW RECRUITS



Sustainability Statement

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

Training & Development

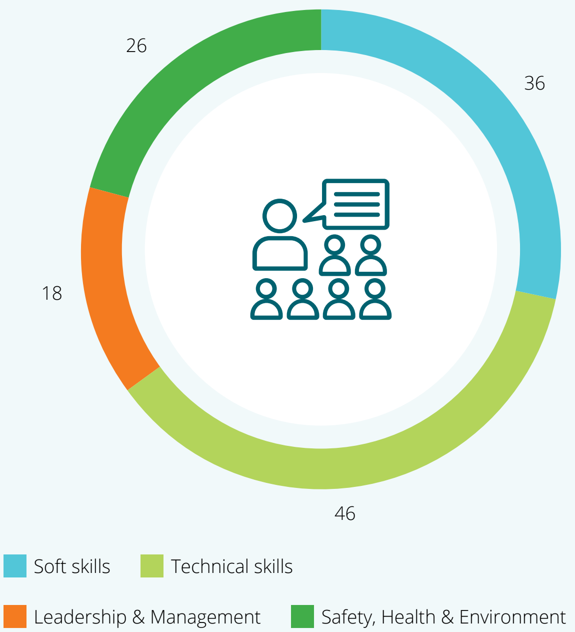
A clear focus on learning and development is crucial to ensuring we keep our people engaged, productive and successful at every stage of their careers. A variety of training programmes are offered to the employees to sharpen their management and technical skills to support personal effectiveness and business needs. These programmes focus on Soft Skills, Technical Skills, Leadership & Management and Safety, Health & Environment (SHE).

Based on post training surveys from employees, 100% of the trainings organized were effective in achieving and supporting personal development and business needs.

Training Needs Analysis is conducted on a yearly basis to identify learning opportunities and provide employees with relevant training sessions for skills improvement.

TOTAL TRAINING PROGRAMME FOR EMPLOYEES

CATEGORIES OF TRAINING



FYE 2019

Number of training hours
1,386 hours

Average training day per employee
1.5 days

Average training hour per employee
5.39 hours

Training investment
RM236,613.2

Effectiveness of training
100%
of participants met their tranining objectives

Sustainability Statement

WORKPLACE WELL-BEING

In addition to the benefits stipulated by the law, we value our employees well-being through listening and providing them a wide range of wellness activities that cater to their physical and mental health to ensure that they are physically and mentally fit to perform at the workplace. The following measures are taken to ensure our employees' well-being: -

1. Family-friendly Benefits

With the aim to balance the work and family responsibilities, parenting, and other family concerns, we provide various family-friendly benefits to our employees such as marriage leave, paternity leave, examination leave, cash coupon for newlyweds and new-born baby to all employees. Other benefits include medical coverage for employees and their children, condolence wreath for passing away of employees' immediate family.

2. Work-life Balance

We promote work-life balance by encouraging our employees to participate in the physical activities through company's activities, such as regular sports activities, outings and informal get-togethers, which are organized by our Salcon Recreational Club (SRC). At the same time, we conduct annual health checks and blood donation campaign for the employees in conjunction of our Safety & Health Campaign.

▲ *Regular sports activities, outings and informal get-togethers were conducted to promote work-life balance amongst employees*

Maintaining a Healthy Work-life balance

Focus area	Organizing unit	Activities
Sports & Recreational	Salcon Recreational Club Corporate Affairs Department	Regular sports activities – bowling and badminton Outings – Family Day, Annual trip, Movie Day Get-together – Annual Dinner, Festive celebrations
Physical Health	Safety, Health & Environment Committee	Annual Safety & Health Campaign Month: • Blood donation • Fitness Challenge • Stairwalk • Spine & Joint Assessment • Breast checking
Mental Health	Human Resources Department	Bullying and Sexual Harrassment course to prevent bullying, harassment and discrimination in the workplace.

OCCUPATIONAL SAFETY & HEALTH

Occupational safety & health is the Group's top key material issue which can impact one's livelihood or even cost a life. We are committed to creating a hazard free and healthy working environment and to prevent any work related injury and ill health.

Guided by the Group's Safety & Health policy and in line with the SDG 3: Good Health & Well-being, the Safety, Health & Environment (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.

All projects sites which are monitored by the S.H.E department are certified with the OSHAS 18001 certification and audited by the Bureau Veritas every year.

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

No.	Initiatives	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	As needed
	Safety and health events held during the Annual Safety & Health Campaign Month to raise awareness	

No.	Actions	Project site/ office
1.	Hazard Identification, Risk Assessment and Risk Control (HIRARC) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
2.	Basic occupational first aid, CPR & AED training	Envitech
3.	Safety & Health Campaign Month	HQ
4.	Fire drill	HQ, Envitech, 1805 PNB Banting (wastewater project), SPS, VBT, NRW Marang
5.	SHE induction training for new workers	Applicable water and wastewater project sites
6.	Toolbox briefing	
7.	Machinery inspection	
8.	S.H.E. audit & inspection	
9.	Health check	HQ
10.	Blood donation	HQ

Working towards Zero Loss Time Injury (LTI)

The Group achieved 1,312,820 man hours without loss time injury (LTI) through various health and safety measures to provide a healthy and safe workplace to our employees and contractors. An LTI is an injury sustained by an employee that leads to loss of productive work in the form of absenteeism or delays.

The achievement also indicates the Group's success in achieving its man hours without LTI target of 1 million hours. Following this achievement, the SHE Committee has set a new target of 2.5 million hours without LTI.

	FYE 2017	FYE 2018	FYE 2019
Achieved man hours without LTI (hours)	189,185	786,896	1,312,820

Sustainability Statement

In FY 2017, the target man hours without LTI was reset due to an incident at the Kuala Terengganu Utara (KTU) project site where the finger of the employee of our sub-contractor was hurt by a bar bending machine.

Other than that incident, we are pleased to report that there were no other incidents leading to injuries or fatalities of employees or sub-contractors between FY 2017 to FY 2019.

Safety & Health Training

Regular internal and external safety trainings are provided to ensure our employees' skills and knowledge is up-to-date and applicable in the event of a safety emergency. 21.45% or 59 of the Safety Committee undergo frequent safety training. Besides this, employees who are not part of the Safety Committee are also strongly encouraged to attend safety-related trainings to instill awareness of the importance of workplace safety. In FYE 2019, 216 employees who are not part of the S.H.E. Committee were also sent to attend safety-related trainings.

Aside from adhering to our safety and health policies and programmes at both offices and project sites, we also extend the training to our employees and sub-contractors with the latest on safety and health issues and technical knowledge so that they can perform their job safely and efficiently at workplace without injury or fatalities. To this end, employees and sub-contractors are sent for relevant courses on safety and health regularly.

	FYE 2017	FYE 2018	FYE 2019
Total safety & health training hours for employees	492	1,268	264
Total safety & health training hours for sub-contractors	15	12	4
S.H.E. Committee members have attended safety & health related training	92%	82%	21.45%

▲ *Safety-related trainings were conducted to instill awareness of the importance of workplace safety*

The number of safety and health training hours for employees suffered a drop from 1,268 hours in FY 2018 to 264 hours this year. This was mainly due to the resignation of the SHE officer in early FY 2019. The SHE department was subsequently restructured and streamlined to include the QA/QC department and renamed QSHE department in the fourth quarter of 2019. The number of training hours are expected to be normalised in the coming year.

Achieved
Zero
work-related injuries or fatalities of employees in FY 2019

SOCIAL - COMMUNITY

Focus Area: Happy Communities

Keeping with our philosophy of giving back to the community and helping to uplift the community living standard.

Salcon's alignment to SDGs:

Secondary

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

Gaining the trust of our communities is crucial for long term relationships and success of our business operation.

This year, Community Engagement was elevated as one of our key material issues and we seek to actively engage and uplift the lives of the communities where we operate in, improve their quality of live and living standards via local employment, providing educational opportunities, volunteering opportunities and philanthropic support where necessary.

SDG Logo	Salcon Alignment to SDGs	Material Issues
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.	• Local employment
17 PARTNERSHIPS FOR THE GOALS	We collaborate with various NGOs who share the same values as us to uplift the communities living standards and quality of life.	• Community investment & development • Community engagement • Human rights

Our community engagement programme is tailored to various groups ranging from pre-school children right up to the elderly and vulnerable:

Pre-school students
- Children books contribution to Orang Asli
- Books Donation to Charity organization

Primary school students + Secondary school students
- Outdoor learning - Salcon Smart Water Programme (SSWP)
- SSWP Inter-State Water Quiz competition

Teachers
- Salcon Train the Trainers (TOT) Programme

University/ college students
- Internship opportunities
- Protégé Programme

Vulnerable group
- Philanthropic giving
- Salcon Orang Asli Community Project at Kampung Orang Asli Sg Gabai

Public
- Blood donation & Community Health Fair
- Local employment
- Community rights

Sustainability Statement

CHARITY BOOK DONATION

This year, we collaborated with Playcentre Library Association, a non-profit organization to collect preloved books for children of all ages, teenage and adult books or magazines from our employees and donated to the children's library operated by the organization.

OUTDOOR LEARNING - SALCON SMART WATER PROGRAMME

Since 2010, the Salcon Smart Water Programme (SSWP) has been raising awareness on water conservation for primary and secondary school students in the Klang valley. This long running programme which has won 2 regional awards, reflects the company's strong commitment in educating our younger generation on the importance of water resources and the effects of river pollution.

SSWP ACHIEVEMENTS SINCE ITS IMPLEMENTATION

Number of students benefited
2,997 students

Participants recommendation rate
97%

Media value generated
RM870,383.15

Knowledge improvement
16.83%
(based on FYE2019 surveys)

Reached out
85 schools & 4 orphanage homes

Awards won

Asia-Pacific Enterprises Leadership Awards - Honorable Mention Award (Educational Service Award category)

Asia Responsible Entrepreneurship Awards - Green Leadership Award

SALCON TRAIN THE TRAINERS (TOT) PROGRAMME

As part of our strategy to widen our reach to more children in the SSWP, the TOT programme was conducted with the aim to train school teachers as programme facilitators and certified trainers so that they will be able to conduct the SSWP for their school children by themselves according to the school's schedule and at their convenience. The TOT has been conducted on a yearly basis since 2013 and Salcon supports the school's SSWP by providing water testing kits and teaching materials as well as sponsoring transportation expenses of the programme.

HIGHLIGHTS OF THE SALCON TOT PROGRAMME

Number of teachers trained
165 teachers

Number of schools which conducted own programme
17 schools

Number of programmes conducted by schools
36 programmes

SSWP INTER-STATE WATER QUIZ COMPETITION

The SSWP Inter-state Water Quiz Competition is a culmination of the year-long Salcon Smart Water Programme (SSWP). A total of 56 secondary school students from 14 schools based in Selangor and Kuala Lumpur were invited to participate in the competition. During the competition, the participants were tested with questions categorized into Global, Local and National from general information about the local water service provider, water issues to general knowledge about water. SMK Seksyen 4 Kota Damansara emerged as the champion of the competition.

Total graduates for Protégé Programme
6

Total undergraduates for Internship Programme
5

INTERNSHIP OPPORTUNITIES & PROTÉGÉ PROGRAMME

Our Internship Programme caters to local and international undergraduates providing a great way to understand the culture, gain practical experience and obtain an inside view to potential career options. In FY2019, the Group trained 5 undergraduates in their second or third year of study from the field of chemical engineering, human capital development and business administration as our interns.

In FY 2019, in support of the Malaysian government Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ) programme to provide job opportunity for fresh graduates, the Group took in 6 graduates for secretarial, water resource, human resource & admin, business development and QSHE departments under the programme with the aim to impart employability and entrepreneurial skills through soft skills classroom and on-the-job training.

▲ *A total of 56 secondary school students from 14 schools participated in Inter-State Water Quiz Competition*

PHILANTHROPIC GIVING

In line with the Group's commitment of 'Transforming lives for the better', we identify opportunities to support charitable causes and initiatives in philanthropic giving to the vulnerable and those in need.

In FY 2019, we have donated RM33,500 to 8 charity homes, such as orphanage homes, old folks homes and disabled people homes.

SALCON BLOOD DONATION DRIVE

Total of
87 pints
of blood was collected

Reinforcing Salcon's commitment to social causes, we organized our 10th annual blood donation drive together with the National Blood Centre (PDN) at the Summit shopping mall at Subang Jaya. The blood donation drive saw enthusiastic participation from the public as well as our employees, where a total of 87 pints of blood were collected. This translates to 261 lives saved as a pint can be divided into three components i.e. red cells, platelets and plasma, which can be used individually for patients with specific conditions.

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. Our local recruitment practices are guided by our recruitment policy with initiatives to groom local talents' technical skills and knowledge as well as to create more job opportunities for the local people.

Sustainability Statement

Employee Volunteering

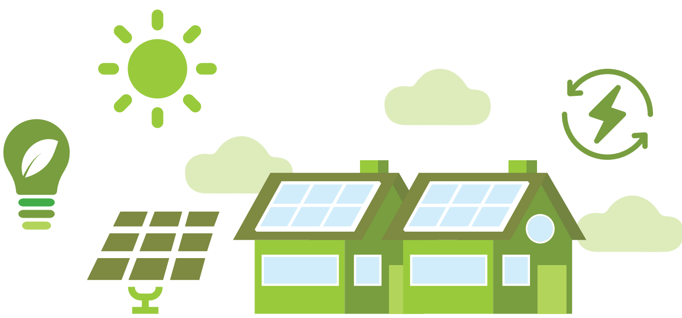
Employee volunteerism is an integral part of the company's sustainability agenda and we actively organize programmes to keep our employees engaged, build camaraderie and improve corporate culture and employer brand.

Under our Salcon Cares CSR programme, we reached out to brighten the lives of the Sg Gabai Orang Asli Community by installing sustainable and clean solar lighting systems at identified households with school going children. This programme mobilised 24 Salcon volunteers who assisted to construct and assemble solar panel systems at 6 houses in the village.

During the Salcon Tree Planting programme, 40 people comprising Salcon employees and their family members rolled up their sleeves and got their hands dirty to plant 110 mangrove tree saplings (species: Rhizophoraceae) to rehabilitate and protect Kuala Selangor Nature Park.

Both programmes have contributed 160 hours of employees volunteering, compared with 148 hours and 108 hours in FYE 2018 and FYE 2017 respectively.

Employee Volunteering
160 hours



▲ *Salcon volunteer installed solar lighting system and light bulbs for one of the identified households*

COMMUNITY RIGHTS

As a project developer and contractor, we have the responsibility to ensure that communication with the community is in place to cater the feedback and concerns of the community. In projects which involve working within a local neighbourhood, we engage and communicate with the local community at the start of a project operation to address concerns on security and human rights, health and safety and potential environment impacts.

We provide various channels for the residents to report any wrongdoings in relation to the project or lodge any complaint through our grievance mechanism procedures. The public complaint form is available at project sites in English and Bahasa Malaysia.

We are pleased to report that there were no case of human rights violation in FY 2019.

CONCLUSION

A strong and sustainable financial performance complemented with a sound corporate EES performance will go a long way towards generating wealth for our stakeholders. This requires persistent and long-term efforts and the Group is committed to improving our sustainable business practices by taking positive actions to sustain healthy economic performance, promoting environmental and social practices and encouraging transparency and accountability throughout our business operations.

GOVERNANCE STATEMENT

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 2019. This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance ("MCCG").

COMMITMENT FROM THE BOARD

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

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

COMPLIANCE WITH MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the financial year 2019 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 2019. The report is available at www.salcon.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

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

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

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

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

Corporate Governance Overview Statement

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

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

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

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

There is a clear division of responsibilities to ensure balance of authority and power, as the roles of the Chairman and the ED are distinct and separate. The Chairman of the Group, 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 suitably qualified and competent Company Secretaries. All members of the Board have access to the advice and services of the Company Secretaries on all secretarial matters relating to the Group, to assist them in exercising their duties. The Board is satisfied with the performances and supports rendered by the Company Secretaries, in assisting the Board, in the discharge of their duties. The Board is regularly updated and kept informed of the requirements issued by regulatory authorities, including the latest developments in the legislations and regulatory framework affecting the Group.

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

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

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

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

For financial year 2019, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

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

Corporate Governance Overview Statement

BOARD COMPOSITION

During the financial year under review, the Board comprises 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 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 selection and appointment of a new member of the Board and Board Committees are made only with the recommendations from the NC.

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

The changes made to the Board composition during the financial year 2019 are as follows: -

a. Appointment of the following Directors to the Board, namely: -
   i. Tan Sri Abdul Rashid bin Abdul Manaf – Independent Non-Executive Director on 2 January 2019; and
   ii. Datin Goh Phaik Lynn – Non-Independent Non-Executive Director on 30 December 2019.

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 in recognizing the benefits of diversity in the Board spectrum, adopted the Board Diversity Policy (which includes the gender policy), which is available for review on the Company's website. During the year, the Company has appointed a new female director with the recommendation from NC.

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 2019 performance evaluations, with the assistance from the internal secretarial team, on 24 February 2020. 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 Independent NEDs 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 2019 on a named basis, are disclosed under "Additional Compliance Information" under page 85 of this Annual Report.

Corporate Governance Overview Statement

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

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

The AC has complied with 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 2019, are set out on page 77 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 2019.

The AC has on 24 February 2020, 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 17th 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 2019, 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 2019 was RM 547,000 and RM 35,000 respectively.

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to establish a sound system of internal 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 80 of this Annual Report.

Corporate Governance Overview Statement

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

COMMUNICATION WITH STAKEHOLDERS

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

CONDUCT OF GENERAL MEETINGS

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

The Chairman of the Board chaired the 16th AGM held on 19 June 2019. The Chairman encouraged shareholders to raise questions during the AGM, before putting the resolutions to vote. Five (5) out of 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 24 February 2020.

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 2019.

COMPOSITION AND ATTENDANCE

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

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

	NAME	DESIGNATION	ATTENDANCE
1	Chan Seng Fatt (Chairman)	Independent Non-Executive Director	5/5
2	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5
3	Dato' Choong Moh Kheng	Independent Non-Executive Director	5/5

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, www.salcon.com.my.

MEETINGS

The AC held five (5) meetings in FY 2019. 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 2019, 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.

Audit Committee Report

SUMMARY OF ACTIVITIES OF AC

The AC's activities during the FY ended 31 December 2019 comprised the following:

- On 28 February 2019, the AC reviewed and recommended to the Board the payment of final dividend for the FY 2018. The AC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed on the re-appointment.

  On 5 April 2019, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2018, and subsequently recommended them to the BOD for approval. The AC further discussed and recommended the proposed disposal of the remaining 20% of the total issued share capital of Eco World-Salcon Y1 Pty Ltd to Fortune Quest Group Limited for a total cash consideration of AUD 4,519,569.

- On 18 November 2019, the AC reviewed the Annual Audit Plan for the FY 2019 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc on the financial statements. The recurring non-audit services, covers annual review of the Statement on Risk Management and Internal Control ("SORMIC"). The AC having considered the nature and scope of non-audit works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are, and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

  The AC, being satisfied with performance of the EA; recommended to the BOD, the re-appointment of Messrs KPMG PLT, as EA for the FY ending 31 December 2020.

- 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 2018 was conducted on 28 February 2019; and the reviews of the quarterly results of first, second and third quarters for FY 2019, were conducted on 24 May 2019, 22 August 2019 and 18 November 2019 respectively.

- The AC reviewed and discussed the Internal Audit 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.

Audit Committee Report

INTERNAL AUDIT FUNCTION

The Group's internal audit function is performed in-house by the Internal Audit & Risk Management Department ("IARMD"), which reports directly to the AC. All internal audit activities for the FY ended 31 December 2019 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 RM 574,000. The details pertaining the person responsible and number of resources for the department is available in the CG Report, Practice 10.2.

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

- IARMD conducted audit review activities as per the 2019 Audit Plan which was approved by the AC on 29 November 2018.

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

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

- The scope of audit engagements in FY 2019 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 2019.

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 2019, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee ("AC") based on the internal audits conducted by the in-house Internal Audit and Risk Management Department ("IARMD") during the year. Audit reports comprised of audit findings, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the AC meetings with Minutes duly recorded.

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

Statement of Risk Management and Internal Control

CONTROL PROCESSES AND RISKS

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

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

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

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

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

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

2. Authority and Responsibilities

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

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

3. Monitoring and Reporting

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

4. Policies and Procedures

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

Statement of Risk Management and Internal Control

5. Audit

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

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

- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2019. 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.

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

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

Statement of Risk Management and Internal Control

7. Performance Measurement

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

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

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

8. Staff Competency

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

9. Conduct of Staffs

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

    - Salcon Insider Trading Policy ("SITP") has been established to provide guidance and ascertain material 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 2019, the Company did not receive any report or incidences from whistle blowers on any possible or potential misconduct from employees, management, public or stakeholders.

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

Statement of Risk Management and Internal Control

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 2019, 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 COO and Chief Financial Officer ("CFO") that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by AC to the Board for approval on 24 February 2020.

Additional Compliance Information

1. ATTENDANCE / MEETING RECORDS OF DIRECTORS FOR FINANCIAL YEAR ENDED 2019

			NUMBER OF MEETINGS ATTENDED					
#	NAME	DESIGNATION	BOD	AC	RMC	NC	RC	SC
1	Tan Sri Abdul Rashid bin Abdul Manaf	Independent Non-Executive Director/Chairman	6/6	N/A	N/A	N/A	N/A	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	6/6	N/A	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	6/6	N/A	0/1	N/A	N/A	1/1
4	Dato' Choong Moh Kheng	Independent Non-Executive Director	6/6	5/5	N/A	1/2	1/1	N/A
5	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	6/6	5/5	N/A	2/2	1/1	1/1
6	Chan Seng Fatt	Independent Non-Executive Director	6/6	5/5	1/1	2/2	1/1	N/A
7	Datin Goh Phaik Lynn (Appointed as Director on 30 December 2019)	Non-Independent Non-Executive Director	N/A	N/A	N/A	N/A	N/A	N/A

Note:

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

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FINANCIAL YEAR ENDED 2019

The NC assesses the training needs of each director on an annual basis and recommends the relevant trainings to each Director for their participation. The NC is satisfied that the Directors have attended adequate trainings to enable them to discharge their duties. For the FY2019, the training attended as below:

	TRAINING	DATE
Tan Sri Abdul Rashid bin Abdul Manaf	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Leadership Greatness in Turbulent Times - Building Corporate Longevity	26-Jun-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
Tan Sri Dato' Tee Tiam Lee	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
	Developing the Strategic Direction for Salcon Berhad	5&6-Sept-19
	Aligning to The New Direction for Salcon berhad	21&22-Nov-19
Dato' Leong Kok Wah	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
	Developing the Strategic Direction for Salcon Berhad	5&6-Sept-19
	Aligning to The New Direction for Salcon Berhad	21&22-Nov-19

Additional Compliance Information

	TRAINING	DATE
Dato' Rosli Bin Mohamed Nor	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
Dato' Choong Moh Kheng	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
Mr. Chan Seng Fatt	Economy Outlook and Investment Opportunities in a Crisis	05-Apr-19
	Corporate Liability Amendment Act 2018: The Potential Risks Faced by Directors and Senior Officers	22-Aug-19
	Audit Oversight Board Coversation with Audit Committees	08-Nov-19
	Briefing on 2020 Budget Hightlights	28-Nov-19

THE DIRECTORS' REMUNERATION PACKAGES FOR THE COMPANY AND THE GROUP FOR THE FINANCIAL YEAR ENDED 2019

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)
Salary	-	953,880.00	749,484.00	-	-	-
Bonus	-	39,745.00	31,229.00	-	-	-
Fees	100,000.00	-	-	70,000.00	70,000.00	70,000.00
Meeting allowances	6,000.00	-	-	5,500.00	6,000.00	6,500.00
Benefits-In-Kind	-	125,508.69	122,332.90	-	-	-
Statutory Contribution	-	119,238.00	93,688.00	-	-	-
	106,000.00	1,238,371.69	996,733.90	75,500.00	76,000.00	76,500.00

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

Note: No remuneration was paid to Datin Goh Phaik Lynn in 2019 as she was appointed on 30 December 2019.

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 30 April 2020 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	(173,496)	57,731
Repayment of borrowings	97,540	(97,540)	-
Distribution to shareholders	30,000	(40,556)	(10,556)
Working capital	10,397	(10,397)	-
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	(64)
Total	369,374	(323,490)	47,111

Additional Compliance Information

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for the financial year ended 31 December 2019.

AUDIT AND NON-AUDIT FEE

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for the financial year ended 31 December 2019 are as follows:

	Company (RM)	Group (RM)
Audit Fees	175,000	547,000
Non-Audit Fees	35,000	35,000
Total Fees	210,000	582,000

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

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for the financial year ended 31 December 2019, 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.

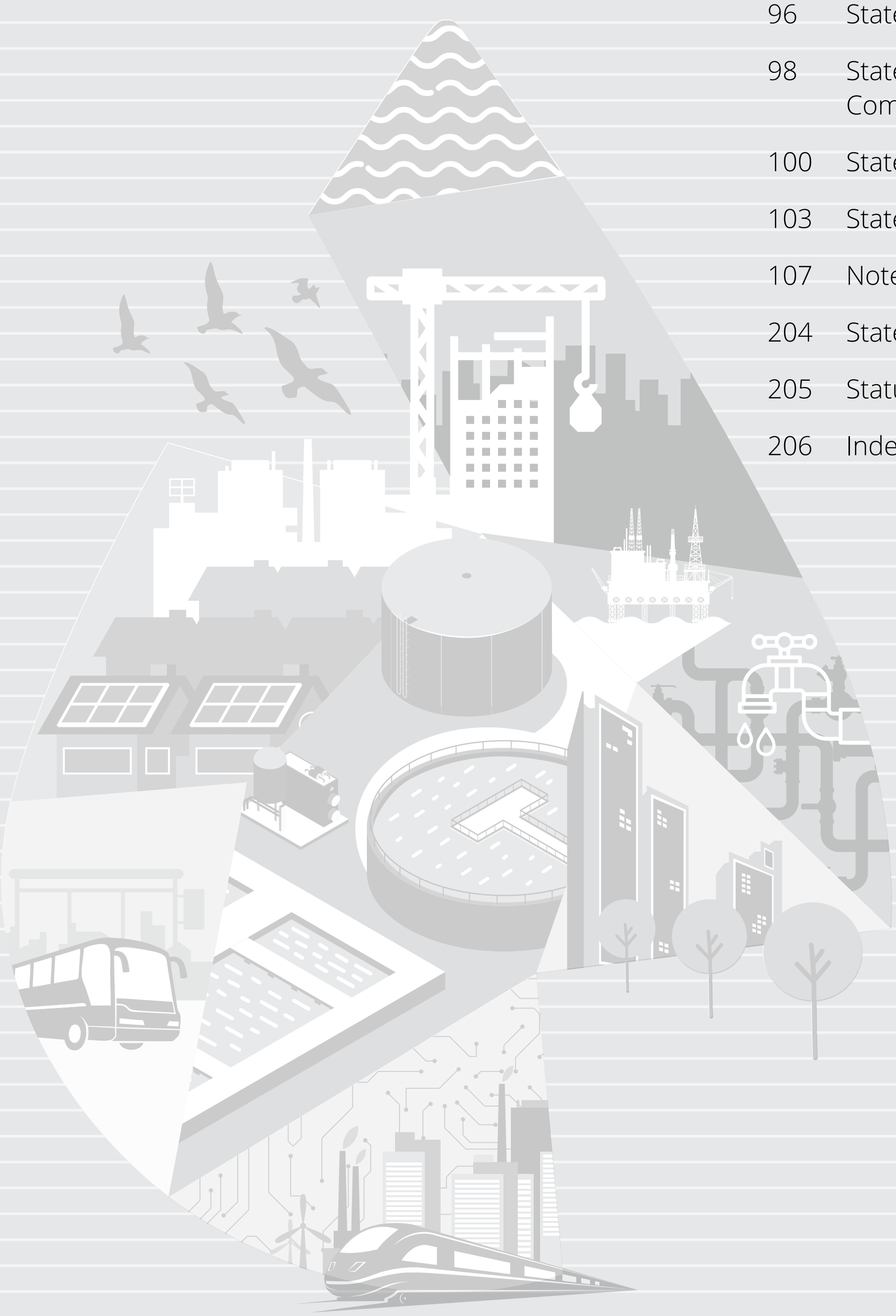
The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act 2016. In addition, the Board is responsible for the proper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

RE-ELECTION OF DIRECTORS

The Company's Constitution provides that one-third (1/3) 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, Tan Sri Dato' Tee Tiam Lee and Dato' Choong Moh Kheng will retire pursuant to Clause 76(3) of the Company's Constitution while Datin Goh Phaik Lynn will retire pursuant to Clause 78 of the Company's Constitution, and being eligible, offer themselves for re-election.

FINANCIAL STATEMENTS



Directors' Report

for the year ended 31 December 2019

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 2019.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(8,651)	(8,424)
Non-controlling interests	(316)	-
	(8,967)	(8,424)

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 2018 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 28,173,780 shares or equivalent to RM7,618,000.

  The dividend was fully credited into the depositors' securities accounts of the entitled shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 10 July 2019.

ii) In respect of the financial year ended 31 December 2019:

- 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 in respect of the financial year ended 31 December 2019 was recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

Directors' Report

for the year ended 31 December 2019

DIRECTORS OF THE COMPANY

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

Tan Sri Abdul Rashid bin Abdul Manaf (Appointed on 2 January 2019)
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 (Appointed on 30 December 2019)

DIRECTORS OF THE SUBSIDIARIES

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

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

Directors' Report

for the year ended 31 December 2019

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 1.1.2019/ Date of appointment	**Bought***	**Sold**	**At 31.12.2019**
The Company				
Direct interest				
Tan Sri Dato' Tee Tiam Lee	50,939,000	1,756,516	-	52,695,516
Dato' Leong Kok Wah	4,750,000	163,793	-	4,913,793
Dato' Choong Moh Kheng	2,998,332	103,390	-	3,101,722
Deemed interest				
Tan Sri Dato' Tee Tiam Lee (1)	59,745,807	2,060,199	-	61,806,006
Dato' Leong Kok Wah (2)	88,415,441	3,048,806	-	91,464,247
Dato' Choong Moh Kheng (3)	8,516,260	293,664	-	8,809,924
Datin Goh Phaik Lynn ^ (4)	96,378,040	-	-	96,378,040

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

^ Appointed on 30 December 2019.

(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 2019 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 1.1.2019/ Date of appointment	**Acquired**	**Exercised/ Disposed**	**At 31.12.2019**
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

^ Appointed on 30 December 2019.

(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.

Directors' Report

for the year ended 31 December 2019

DIRECTORS' BENEFITS (CONTINUED)

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

ISSUE OF SHARES AND DEBENTURES

There were no 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 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.

Directors' Report

for the year ended 31 December 2019

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 2019 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 EVENT

The subsequent event 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: 6 May 2020

Statements of Financial Position

at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	21,794	33,419	-	291
Right-of-use assets	4	12,390	-	65	-
Intangible assets	5	25,597	26,294	-	-
Investment properties	6	9,924	8,201	-	-
Investments in subsidiaries	7	-	-	88,570	87,981
Investments in associates	8	17,052	39,149	344	294
Investments in joint ventures	9	32,344	40,016	23,500	23,500
Other investments	10	4,053	238	4,053	238
Deferred tax assets	11	3,698	3,698	-	-
Amounts due from subsidiaries	12	-	-	270,934	305,869
Total non-current assets		126,852	151,015	387,466	418,173
Trade and other receivables	12	118,210	141,852	9,412	12,370
Contract assets	13	70,170	59,328	-	-
Inventories	14	131,763	138,168	-	-
Other investment	10	3,206	-	-	-
Current tax assets		1,138	2,575	-	-
Prepayments		1,114	1,325	-	14
Cash and cash equivalents	15	121,344	115,147	79,044	74,955
		446,945	458,395	88,456	87,339
Assets classified as held for sale	16	494	-	-	-
Total current assets		447,439	458,395	88,456	87,339
Total assets		574,291	609,410	475,922	505,512

Statements of Financial Position

at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity					
Share capital		424,465	424,465	424,465	424,465
Reserves		2,617	8,541	(4,400)	(7,375)
Retained earnings		1,154	18,155	30,066	46,108
Total equity attributable to owners of the Company	17	428,236	451,161	450,131	463,198
Non-controlling interests		20,989	21,850	-	-
Total equity		449,225	473,011	450,131	463,198
Liabilities					
Loans and borrowings	18	5,773	7,638	-	83
Lease liabilities		2,359	-	-	-
Deferred tax liabilities	11	6,833	6,943	-	-
Total non-current liabilities		14,965	14,581	-	83
Trade and other payables	19	84,854	79,297	25,613	41,831
Contract liabilities	13	5,601	1,063	-	-
Loans and borrowings	18	18,329	40,743	83	216
Lease liabilities		1,115	-	-	-
Current tax liabilities		202	715	95	184
Total current liabilities		110,101	121,818	25,791	42,231
Total liabilities		125,066	136,399	25,791	42,314
Total equity and liabilities		574,291	609,410	475,922	505,512

The notes on pages 107 to 203 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Continuing operations					
Revenue	20	191,292	130,221	563	818
Cost of sales		(165,149)	(102,377)	-	-
Gross profit		26,143	27,844	563	818
Other income		9,354	9,218	6,897	2,314
Distribution expenses		(2,162)	(2,658)	(35)	(97)
Administrative expenses		(49,913)	(46,181)	(10,348)	(9,638)
Other expenses		(6,692)	(488)	(14,414)	(6,365)
Net gain/(loss) on impairment of financial instruments and contract assets		2,328	23	3,186	(17,267)
Results from operating activities		(20,942)	(12,242)	(14,151)	(30,235)
Finance income		2,872	3,677	6,056	6,070
Finance costs	22	(3,320)	(3,865)	(9)	(19)
Operating loss		(21,390)	(12,430)	(8,104)	(24,184)
Share of profit of equity-accounted associates/joint ventures, net of tax		14,059	10,868	-	-
Loss before tax		(7,331)	(1,562)	(8,104)	(24,184)
Tax expense	23	(2,419)	(2,224)	(320)	(467)
Loss from continuing operations		(9,750)	(3,786)	(8,424)	(24,651)
Discontinued operation					
Profit/(Loss) from discontinued operation, net of tax	24	783	(607)	-	-
Loss for the year	25	(8,967)	(4,393)	(8,424)	(24,651)

Statements of Profit or Loss and Other Comprehensive Income

at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other comprehensive (expense)/income, net of tax					
Foreign currency translation differences for foreign operations	26	(8,937)	3,511	-	-
Other comprehensive (expense)/income for the year, net of tax		(8,937)	3,511	-	-
Total comprehensive expense for the year		(17,904)	(882)	(8,424)	(24,651)
(Loss)/Profit attributable to:					
Owners of the Company		(8,651)	2,116	(8,424)	(24,651)
Non-controlling interests		(316)	(6,509)	-	-
Loss for the year		(8,967)	(4,393)	(8,424)	(24,651)
Total comprehensive (expense)/income, attributable to:					
Owners of the Company		(17,550)	5,167	(8,424)	(24,651)
Non-controlling interest		(354)	(6,049)	-	-
Total comprehensive expense for the year		(17,904)	(882)	(8,424)	(24,651)
Basic (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(1.12)	0.32		
from discontinued operation		0.09	(0.07)		
		(1.03)	0.25		
Diluted (loss)/earnings per ordinary share (sen):	27				
from continuing operations		(1.12)	0.32		
from discontinued operation		0.09	(0.07)		
		(1.03)	0.25		

The notes on pages 107 to 203 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2019

		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 2018		424,465	(1,943)	12,865	22,770	458,157	26,971	485,128
Foreign currency translation differences for foreign operations		-	-	3,051	-	3,051	460	3,511
Total other comprehensive income for the year		-	-	3,051	-	3,051	460	3,511
Profit/(Loss) for the year		-	-	-	2,116	2,116	(6,509)	(4,393)
Total comprehensive income/(expense) for the year		-	-	3,051	2,116	5,167	(6,049)	(882)
Contributions by and distributions to owners of the Company								
Own shares acquired	17.2	-	(5,432)	-	-	(5,432)	-	(5,432)
Dividends to owners of the Company	28	-	-	-	(6,731)	(6,731)	-	(6,731)
Dividends to non-controlling interests		-	-	-	-	-	(1,344)	(1,344)
Total transactions with owners of the Company		-	(5,432)	-	(6,731)	(12,163)	(1,344)	(13,507)
Disposal of interest in subsidiaries		-	-	-	-	-	2,158	2,158
Acquisition of subsidiaries		-	-	-	-	-	114	114
At 31 December 2018		424,465	(7,375)	15,916	18,155	451,161	21,850	473,011
		Note 17.1	Note 17.2	Note 17.3				

Statements of Changes in Equity

for the year ended 31 December 2019

		← 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		-	-	(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)
Changes in ownership interest in subsidiaries		-	-	-	(732)	(732)	732	-
Dividends to owners of the Company	28	-	7,618	-	(7,618)	-	-	-
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				

Statements of Changes in Equity

for the year ended 31 December 2019

Company	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total equity RM'000
		← Attributable to Owners of the Company →			
		← Non-distributable →		Distributable	
At 1 January 2018		424,465	(1,943)	77,490	500,012
Loss and total comprehensive expense for the year		-	-	(24,651)	(24,651)
Contributions by and distributions to owners of the Company					
Own shares acquired	17.2	-	(5,432)	-	(5,432)
Dividends to owners of the Company	28	-	-	(6,731)	(6,731)
Total transactions with owners of the Company		-	(5,432)	(6,731)	(12,163)
At 31 December 2018/1 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		424,465	(4,400)	30,066	450,131
		Note 17.1	Note 17.2		

The notes on pages 107 to 203 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Loss before tax				
- continuing operations	(7,331)	(1,562)	(8,104)	(24,184)
- discontinued operation	783	(607)	-	-
	(6,548)	(2,169)	(8,104)	(24,184)
Adjustments for:				
Amortisation of intangible assets	697	-	-	-
Depreciation of property, plant and equipment	3,730	4,849	-	226
Depreciation of right-of-use assets	2,062	-	226	-
Dividend income	(2,402)	-	(563)	(818)
Finance costs	3,320	3,865	9	19
Finance income	(2,872)	(3,677)	(6,056)	(6,070)
Gain on disposal of equity-accounted associate	(808)	-	-	-
Loss/(gain) on disposal of equity interest in subsidiaries	25	(696)	-	-
Net fair value loss/(gain) on other investment	(1,787)	302	(1,787)	302
Impairment loss on investments in subsidiaries	-	-	9,531	6,107
Impairment loss on investments in associate	6,192	-	1,584	-
Impairment loss on property, plants and equipment	37	-	-	-
Net reversal of impairment loss on trade receivables	(2,328)	(23)	-	-
Net (reversal of impairment)/impairment on amount due from subsidiaries	-	-	(3,186)	17,267
Reversal of impairment on property, plant and equipment	-	(1,632)	-	-
Gain on disposal of other investments	(377)	-	(377)	-
Net gain on disposal of property, plant and equipment	(50)	(2,170)	-	-
Property, plant and equipment written off	32	198	-	-
Share of profit of equity-accounted associates/joint ventures, net of tax	(14,059)	(10,868)	-	-
Operating loss before changes in working capital	(15,136)	(12,021)	(8,723)	(7,151)

Statements of Cash Flows

for the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)				
Unrealised foreign exchange differences	558	5,411	(317)	1,313
Other receivables written off	451	-	449	-
Operating loss before changes in working capital	(14,127)	(6,610)	(8,591)	(5,838)
Changes in trade and other receivables and prepayments	41,791	(19,334)	33,514	31,174
Changes in inventories	6,405	3,833	-	-
Changes in trade and other payables	10,739	14,589	(16,218)	13,521
Cash generated from/(used in) operations	44,808	(7,522)	8,705	38,857
Tax paid	(1,605)	(843)	(409)	(43)
Net cash from/(used in) operating activities	43,203	(8,365)	8,296	38,814
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,554)	(511)	-	-
Acquisition of software and trademarks	-	(3,302)	-	-
Acquisition of other investments	(7,448)	-	(4,242)	-
Acquisition of investment properties	(2,217)	-	-	-
Acquisition of subsidiaries, net of cash acquired	-	(891)	-	-
Dividend received from:				
- Joint ventures	2,400	-	-	-
- Subsidiaries	-	-	561	818
- Other investments	2	-	2	-
Subscription of shares in subsidiaries	-	-	(2,990)	-
Subscription of shares in an associate	(1,634)	-	(1,634)	-
Interest received	2,872	3,677	6,056	6,070
Net cash inflow from disposal of equity- accounted associate, net of cash and cash equivalents disposed of (Note 24)	13,128	(23)	-	-
Net cash outflow from disposal of a subsidiary, net of cash and cash equivalents disposed of (Note 24)	(2)	-	-	-
Proceeds from disposal of property, plant and equipment	87	26,505	-	-
Proceeds from disposal of other investments	2,591	-	2,591	-
Net cash from investing activities	8,225	25,455	344	6,888

Statements of Cash Flows

for the year ended 31 December 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from financing activities				
Dividends paid to non-controlling interests	(1,239)	(1,344)	-	-
Dividends paid to owners of the Company	-	(6,731)	-	(6,731)
Drawdown from borrowings	3,003	6,965	-	-
Interest paid	(3,320)	(3,865)	(9)	(19)
Repayment of finance lease liabilities	(2,488)	(2,489)	(216)	(206)
Repayment of lease liabilities	(1,275)	-	-	-
Repayment of borrowings	(25,454)	(24,558)	-	-
Repurchase of treasury shares	(4,643)	(5,432)	(4,643)	(5,432)
Uplift of pledged fixed deposit	-	5	-	-
Net cash used in financing activities	(35,416)	(37,449)	(4,868)	(12,388)
Net increase/(decrease) in cash and cash equivalents	16,012	(20,359)	3,772	33,314
Cash and cash equivalents at beginning of the year	113,687	128,973	74,955	42,954
Effect of exchange rate fluctuations on cash held	(9,815)	5,073	317	(1,313)
Cash and cash equivalents at end of the year	119,884	113,687	79,044	74,955

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	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits placed with licensed banks	15	85,874	59,475	75,656	53,332
Cash and bank balances	15	35,470	55,672	3,388	21,623
		121,344	115,147	79,044	74,955
Bank overdrafts	18	(1,430)	(1,430)	-	-
Pledged deposits	15	(30)	(30)	-	-
		119,884	113,687	79,044	74,955

Statements of Cash Flows

for the year ended 31 December 2019

Cash outflows for leases as a lessee

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Included in net cash from operating activities					
Payment relating to short-term leases	25	892	-	-	-
Payment relating to leases of low value assets	25	30	-	-	-
Interest paid in relation to lease liabilities		207	-	-	-
Included in net cash from financing activities					
Payment of lease liabilities		1,275	-	-	-
Total cash outflows for leases		2,404	-	-	-

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 2018	-	-
Net changes from financing cash flows:	-	-
At 31 December 2018	-	-
Adjustment on initial application of MFRS 16	4,749	4,749
At 1 January 2019	4,749	4,749
Net changes from financing cash flows:	(1,275)	(1,275)
Acquisition of new lease	-	-
At 31 December 2019	3,474	3,474

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM1,554,000 (2018: RM2,409,000), of which Nil (2018: RM1,898,000) were acquired by means of finance leases.

Notes to the Financial Statements

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 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 2019 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 6 May 2020.

1. Basis of preparation

(a) Statement of compliance

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

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

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and* MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement and* MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

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

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

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

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

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

(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 2(p)(i) – revenue from construction contracts
- 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

Notes to the Financial Statements

2. Significant accounting policies

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 37.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

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

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

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, 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.

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(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)).

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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

2. **Significant accounting policies (continued)**

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach with the initial application of the right-of-use assets is equivalent to the lease liabilities as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(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.

(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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

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

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

(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".

Notes to the Financial Statements

2. Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

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

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

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

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

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

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

(f) Intangible assets

(i) Goodwill

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

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

The estimated useful life is as follows:

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

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

(iii) Defined benefit plans

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

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

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

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

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

(iv) Share-based payment transactions

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

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(iv) Share-based payment transactions (continued)

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

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

(o) Provisions

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

Contingent liabilities

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.

2. Significant accounting policies (continued)

(p) Revenue and other income

(i) Revenue

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

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

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

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

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

(ii) Rental income

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

(iii) Dividend income

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

(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.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(q) Borrowing costs

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

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

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

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

(r) Income tax

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

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

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

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

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.

2. Significant accounting policies (continued)

(r) Income tax (continued)

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

(s) Discontinued operations

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

(t) Earnings per ordinary share

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

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

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

(u) Operating segments

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

(v) Fair value measurements

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

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

(v) 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 Cost	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2018	733	4,406	49,964	31,160	6,770	4,541	97,574
Acquisition through business combinations	-	203	-	4,201	46	-	4,450
Additions	-	117	-	2,094	198	-	2,409
Transfer	-	-	-	3,629	-	(3,629)	-
Disposals	-	-	(33,608)	(488)	(1,888)	-	(35,984)
Derecognition through disposal of subsidiaries	-	-	-	-	(297)	-	(297)
Write-off	-	-	(84)	(146)	(150)	(3)	(383)
Effect of movements in exchange rates	-	-	(1,895)	-	54	-	(1,841)
At 31 December 2018, *as previously reported*	733	4,726	14,377	40,450	4,733	909	65,928
Adjustment on initial application of MFRS 16	-	-	-	(11,964)	-	-	(11,964)
At 1 January 2019, *as restated*	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 strike-off of subsidiaries	-	-	-	-	(1)	-	(1)
Write-off	-	-	(29)	-	(34)	-	(63)
Effect of movements in exchange rates	-	-	299	(1)	1	-	299
At 31 December 2019	733	5,039	14,618	29,086	5,050	909	55,435

3. Property, plant and equipment (continued)

Group **Depreciation and impairment loss**	**Land** **RM'000**	**Buildings** **RM'000**	**Plant and machinery** **RM'000**	**Motor vehicles** **RM'000**	**Office equipment, furniture and fittings** **RM'000**	**Capital work-in-progress** **RM'000**	**Total** **RM'000**
At 1 January 2018							
Accumulated depreciation	-	300	11,767	17,389	3,932	-	33,388
Accumulated impairment loss	-	-	2,233	-	-	-	2,233
	-	300	14,000	17,389	3,932	-	35,621
Depreciation for the year	-	94	937	3,447	371	-	4,849
Depreciation through business combinations	-	14	-	2,631	21	-	2,666
Reversal of impairment loss	-	-	(1,632)	-	-	-	(1,632)
Disposals	-	-	(7,634)	(488)	(224)	-	(8,346)
Derecognition through disposal of subsidiaries	-	-	-	-	(259)	-	(259)
Write-off	-	-	(20)	(15)	(150)	-	(185)
Effect of movements in exchange rates	-	-	(410)	-	205	-	(205)
At 31 December 2018, *as previously reported*							
Accumulated depreciation	-	408	4,640	22,964	3,896	-	31,908
Accumulated impairment loss	-	-	601	-	-	-	601
	-	408	5,241	22,964	3,896	-	32,509
Adjustment on initial application of MFRS 16	-	-	-	(2,410)	-	-	(2,410)
At 1 January 2019, *as restated*							
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

3. Property, plant and equipment (continued)

Group **Depreciation and impairment loss (continued)**	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2019, *as restated*	-	408	5,241	20,554	3,896	-	30,099
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 strike-off 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							
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
Carrying amounts							
At 1 January 2018	733	4,106	35,964	13,771	2,838	4,541	61,953
At 31 December 2018/1 January 2019	733	4,318	9,136	17,486	837	909	33,419
At 31 December 2019	733	4,530	8,760	6,027	835	909	21,794

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Company	Motor vehicles
Cost	**RM'000**
At 1 January 2018/31 December 2018, *as previously reported*	1,130
Adjustment on initial application of MFRS 16	(1,130)
At 1 January 2019, *as restated*/31 December 2019	-
Depreciation	
At 1 January 2018	613
Depreciation for the year	226
At 31 December 2018/1 January 2019, *as previously reported*	839
Adjustment on initial application of MFRS 16	(839)
At 1 January 2019, *as restated*/31 December 2019	-
Carrying amounts	
At 1 January 2018	517
At 31 December 2018/1 January 2019, *as previously reported*	291
At 1 January 2019, *as restated*/31 December 2019	-

3.1 Assets under finance lease

Included in property, plant and equipment of the Group and the Company are motor vehicles acquired under finance lease agreements with net book value of Nil (2018: RM9,554,000) and Nil (2018: RM291,000) respectively.

At 1 January 2019, the Group and Company have reclassified some of its motor vehicles with carrying amount of RM9,554,000 and RM291,000 respectively to right-of-use assets upon initial application of MFRS 16.

3.2 Pledged assets

Included in the net book value of buildings are amounts of RM1,420,000 (2018: RM1,656,000) charged to a licensed bank for facility granted to the Group (Note 18.1).

Notes to the Financial Statements

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
Addition		-	-	-	660	660
Depreciation	4.1	(230)	(1,067)	(90)	(1,186)	(2,573)
At 31 December 2019		81	3,099	182	9,028	12,390

	Note	Motor vehicles RM'000	Total RM'000
Company			
At 1 January 2019		291	291
Depreciation	4.1	(226)	(226)
At 31 December 2019		65	65

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 increased every three years to reflect current market rentals.

4.1 Depreciation capitalised in carrying amount of another asset

	2019 Group RM'000	2019 Company RM'000
Recognised in profit or loss	2,062	226
Capitalised into work-in-progress	511	-
	2,573	226

4. Right-of-use assets (continued)

4.2 Extension options

Some leases of office buildings 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.

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000	Historical rate of exercise of extension options
Buildings	3,182	-	90%

4.3 Significant judgements and assumptions in relation to lease

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

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

Notes to the Financial Statements

5. Intangible assets

	Note	Goodwill RM'000	Land use rights RM'000	Software and trademarks RM'000	Total RM'000
Group					
Cost					
At 1 January 2018		12,196	18,148	-	30,344
Additions		-	-	3,302	3,302
Acquired through business combination		1,161	-	-	1,161
At 31 December 2018/ 1 January 2019/ 31 December 2019		13,357	18,148	3,302	34,807
Amortisation and impairment loss					
At 1 January 2018/31 December 2018/ 1 January 2019					
Accumulated amortisation		-	-	-	-
Accumulated impairment loss		(8,513)	-	-	(8,513)
		(8,513)	-	-	(8,513)
Amortisation	5.1	-	(284)	(413)	(697)
At 31 December 2019					
Accumulated amortisation		-	(284)	(413)	(697)
Accumulated impairment loss		(8,513)	-	-	(8,513)
		(8,513)	(284)	(413)	(9,210)
Carrying amounts					
At 1 January 2018		3,683	18,148	-	21,831
At 31 December 2018/1 January 2019		4,844	18,148	3,302	26,294
At 31 December 2019		4,844	17,864	2,889	25,597

Notes to the Financial Statements

5. Intangible assets (continued)

5.1 Amortisation

The amortisation of software and trademarks had not commenced in previous financial year as the software and trademarks are still at its testing stage.

Goodwill

Impairment testing for cash-generating units containing goodwill

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

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

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

- Based on past experience and actual operating results attained in both 2018 and 2019, 5 years cash flow projections were prepared. An average growth rate of 5 percent was incorporated into the projections.

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

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

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

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

Land use rights

Land use rights represent the right acquired by a group entity over a parcel of land for a duration until year 2082.

Notes to the Financial Statements

6. Investment properties

	Group 2019 RM'000	Group 2018 RM'000
At beginning of year	8,201	8,201
Additions	2,217	-
Transfer to assets held for sale	(494)	-
At end of year	9,924	8,201

Included in the above are:

	Group 2019 RM'000	Group 2018 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	7,332
	9,924	8,201

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

	Group 2019 RM'000	Group 2018 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:

	2019 Level 3 RM'000	2019 Total RM'000	2018 Level 3 RM'000	2018 Total RM'000
Group				
Land	319	319	319	319
Buildings	9,605	9,605	7,882	7,882
	9,924	9,924	8,201	8,201

Notes to the Financial Statements

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 (RM33 to RM818).	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	
	2019	**2018**
	RM'000	**RM'000**
Cost of investment	103,935	100,945
Capital contribution to a subsidiary	7,130	-
	111,065	100,945
Less: Impairment losses	(22,495)	(12,964)
	88,570	87,981

Notes to the Financial Statements

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 2019 %	2018 %
Salcon Engineering Berhad	Malaysia	- Design, construction, operation and maintenance of municipal potable water, sewage and wastewater facilities; - Provision of mechanical and electrical engineering services for general industries; and - Investment holding	100	100
Salcon Water (Asia) Limited *	Hong Kong	Investment holding	60	60
Integrated Water Services (M) Sdn. Bhd.	Malaysia	Operation and maintenance of a water treatment plant	51	51
Salcon Changzhou (HK) Limited *	Hong Kong	Investment holding	100	100
Salcon Xinlian Group Limited *	Hong Kong	Investment holding	51	51
Salcon Capital Sdn. Bhd. ^	Malaysia	Investment holding	100	100
Salcon Power (HK) Limited +	Hong Kong	Sales of solar power products and solar energy	100	100
Salcon Water (HK) Limited *	Hong Kong	Dormant	100	100
Salcon Development Sdn. Bhd.	Malaysia	Investment holding	100	100
Kencana Kesuma Sdn. Bhd. ^	Malaysia	Dormant	100	70
Salcon Utilities Sdn. Bhd. ^	Malaysia	Dormant	70	70
Satria Megajuta Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Labuan) Limited	Malaysia	Provision of petroleum related services	100	100
Salcon Xinlian Sdn. Bhd. ^	Malaysia	Investment holding	51	51
Subsidiaries of Salcon Engineering Berhad:				
Salcon-Centrimax Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Precise Metal Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Power Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.	Malaysia	Provision of petroleum related services	100	100

Notes to the Financial Statements

7. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of Salcon Engineering Berhad: (continued)				
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	50
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 Engineering (India) Pte. Ltd. *	India	Dormant	-	100
Subsidiaries of Bumi Tiga Enterprise Sdn. Bhd.:				
Skeel Engineering Sdn. Bhd. ^	Malaysia	Dormant	100	100
Salcon Building Services Sdn. Bhd. ^	Malaysia	Dormant	100	100
Subsidiary of Salcon Water (Asia) Limited:				
Salcon Services (HK) Limited *	Hong Kong	Investment holding	60	60
Subsidiary of Salcon Services (HK) Limited:				
Salcon Alliance Corporate Management & Consultancy (Shanghai) Pte. Ltd. *	People's Republic of China	Dormant	-	60
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	51
Circlic Interactive Tourism Sdn. Bhd. #	Malaysia	E-commerce travel and tourism	-	33

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 2019 %	2018 %
Subsidiary of Salcon Xinlian Group Limited: (continued)				
Beijing Xinlian Yitong Technology Co. Ltd. *	People's Republic of China	Online tourism and marketing services	51	51
Circlic Sdn. Bhd. ^ #	Malaysia	Domain of mobile commerce	33	33
SignCharge Sdn. Bhd. ^ #	Malaysia	Technology startup in the business of building mobile identity infrastructure for the banking and mobile payment industry	33	33
Subsidiary of Salcon Petroleum Services (Asia Pacific) Sdn. Bhd.:				
JTT Advisory Sdn. Bhd.	Malaysia	Promotional services	100	100
Subsidiary of Beijing Xinlian Yitong Technology Co. Ltd:				
Shanghai Shanmao E-commerce Co. Ltd. * #	People's Republic of China	Travel e-commerce services	26	26
Subsidiaries of Salcon Development Sdn. Bhd.:				
Azitin Venture Sdn. Bhd. @	Malaysia	Property development	50	50
Prestasi Kemas Sdn. Bhd.	Malaysia	Property development	70	70
Nusantara Megajuta Sdn. Bhd. @	Malaysia	Property development	50	50
Subsidiary of Eco-Coach & Tours (M) Sdn. Bhd.:				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	-	51
Green Fleet Sdn. Bhd. ^	Malaysia	Transportation services	-	51
Senstrac Sdn. Bhd. (f.k.a. Circlic Interactive Sdn. Bhd)	Malaysia	E-commerce travel and Tourism	51	-
Subsidiary of Senstrac Sdn. Bhd. (f.k.a. Circlic Interactive Sdn. Bhd.):				
Eco Tours Asia Sdn. Bhd.	Malaysia	Transportation services	51	-
Green Fleet Sdn. Bhd. ^	Malaysia	Transportation services	51	-

+ Audited by other member firms of KPMG International.

^ Audited by other firms of accountants.

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

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

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

Notes to the 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	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/(expenses)	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	-	-

Notes to the Financial Statements

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
2018			
NCI percentage of ownership interest and voting interest	40%	40%	49%
Carrying amount of NCI	20,012	4,099	(3,500)
Profit/(Loss) allocated to NCI	1,033	(196)	(6,177)
Summarised financial information before intra-group elimination			
As at 31 December			
Non-current assets	11,685	-	1,406
Current assets	48,068	13,337	3,698
Non-current liabilities	(371)	-	-
Current liabilities	(9,352)	(3,090)	(12,248)
Net assets/(liabilities)	50,030	10,247	(7,144)
Year ended 31 December			
Revenue	35,013	-	72
Profit/(Loss) for the year	2,581	(490)	(12,607)
Total comprehensive income/(expenses)	2,581	(490)	(12,607)
Cash flows generated from/(used in) operating activities	1,591	(61)	(229)
Cash flows (used in)/from investing activities	(4,059)	1	(3)
Cash flows from financing activities	2,549	-	-
Net increase/(decrease) in cash and cash equivalents	81	(60)	(232)
Dividends paid to NCI	560	-	-

Notes to the Financial Statements

8. Investments in associates

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Investment in shares	24,178	37,583	1,928	294
Share of post-acquisition reserves	(934)	1,566	-	-
Less: Impairment loss	(6,192)	-	(1,584)	-
	17,052	39,149	344	294

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2019 %	Effective ownership interest and voting interest 2018 %
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 Salcon Development Sdn. Bhd.:				
Eco World - Salcon Y1 Pty. Ltd.	Australia	Property development	-	20
Associates of Senstrac Sdn Bhd (f.k.a Circlic Interactive Sdn. Bhd.):				
Wisdom Sports (M) Sdn. Bhd.	Malaysia	Sports tourism	23	15

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

Notes to the Financial Statements

8. Investments in associates (continued)

Group	EUC 2019 RM'000	EUC 2018 RM'000
Summarised financial information as at 31 December		
Non-current assets	-	3,491
Current assets	42,084	52,110
Current liabilities	(1,289)	(1,112)
Net assets	40,795	54,489
Year ended 31 December		
Profit for the year	4,136	12,115
Other comprehensive expense	(230)	(299)
Total comprehensive income	3,906	11,816
Included in the total comprehensive income is:		
Revenue	17,531	29,057

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

Notes to the Financial Statements

9. Investments in joint ventures

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Investment in shares	29,063	29,063	23,500	23,500
Share of post-acquisition reserves	3,281	10,953	-	-
	32,344	40,016	23,500	23,500

Details of joint ventures are as follows:

Name of joint venture	Principal activities	Note	Proportion of ownership interest 2019 %	2018 %
Volksbahn Technologies Sdn. Bhd.	Provision of management, technology and service consulting	9.1	50 plus 2 shares	50 plus 2 shares
Joint ventures of Salcon Engineering Berhad:				
Salcon MMCB AZSB JV Sdn. Bhd.	Engineering and construction	9.2	36	36
Salcon MMCES AZSB JV Sdn. Bhd.	Engineering and construction	9.3	50	50
Salcon Loh & Loh JV Sdn. Bhd.	Engineering and construction	9.4	50	50
Joint venture of Envitech Sdn. Bhd.:				
WET Envitech Sdn. Bhd.	Engineering and construction	9.5	30	30

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

9.3 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. Investments in joint ventures (continued)

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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Summarised financial information						
As at 31 December						
Non-current assets	11,442	11,054	-	-	15,956	13,720
Current assets	22,044	38,914	127,515	182,408	5,692	4,538
Non-current liabilities	(72)	(1,440)	-	-	(1,061)	(518)
Current liabilities	(12,345)	(30,341)	(120,549)	(159,799)	(15,996)	(14,100)
Cash and cash equivalents	21,492	23,942	311	3,151	1,843	1,491
Year ended 31 December						
Profit/(Loss) from continuing operations	14,881	15,027	(15,643)	3,924	952	65
Total comprehensive income/(expense)	14,881	15,027	(15,643)	3,924	952	65
Included in the total comprehensive income/(expense) are:						
Revenue	35,951	75,098	46,713	106,907	11,185	8,482
Interest income	135	367	82	858	10	6
Interest expense	(32)	-	38	(295)	(502)	(469)
Tax expense	(4,440)	(3,812)	(112)	(869)	-	-

Notes to the Financial Statements

9. Investments in joint ventures (continued)

	WESB RM'000	L2 RM'000	VTSB RM'000	Other immaterial joint ventures RM'000	Total RM'000
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
2018					
Reconciliation of net assets to carrying amount as at 31 December					
Goodwill	-	4,653	14,150	-	18,803
Group's share of net assets	5,456	11,304	1,820	2,416	20,996
Carrying amount in the statement of financial position	5,456	15,957	15,970	2,416	39,799
Group's share of results for the year ended 31 December					
Group's share of profit from continuing operations	3,996	1,962	33	2,334	8,325
Group's share of total comprehensive income	3,996	1,962	33	2,334	8,325
Other information					
Dividends received by the Group	-	7,500	-	10,000	17,500

Notes to the Financial Statements

10. Other investments

Group	Shares RM'000	Others RM'000	Total RM'000
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
2018			
Non-current			
Fair value through profit or loss			
- Quoted shares	238	-	238
Company			
2019			
Non-current			
Fair value through profit or loss			
- Quoted shares	4,053	-	4,053
2018			
Non-current			
Fair value through profit or loss			
- Quoted shares	238	-	238

Notes to the Financial Statements

11. Deferred tax assets and liabilities

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Land use rights	-	-	(4,537)	(4,537)	(4,537)	(4,537)
Property, plant and equipment	10	10	(1,884)	(1,814)	(1,874)	(1,804)
Other items	-	-	(615)	(795)	(615)	(795)
Tax losses carry-forward	3,516	3,516	-	-	3,516	3,516
Unabsorbed capital allowances	375	375	-	-	375	375
Tax assets/(liabilities)	3,901	3,901	(7,036)	(7,146)	(3,135)	(3,245)
Set off of tax	(203)	(203)	203	203	-	-
Net tax assets/(liabilities)	3,698	3,698	(6,833)	(6,943)	(3,135)	(3,245)

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 (2018: RM14.6 million) will not be available to the Group, resulting in a decrease in deferred tax assets of RM3.5 million (2018: 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 1.1.2018 RM'000**	**Recognised in profit or loss (Note 23) RM'000**	**At 31.12.2018/ 1.1.2019 RM'000**	**Recognised in profit or loss (Note 23) RM'000**	**At 31.12.2019 RM'000**
Land use rights	(4,537)	-	(4,537)	-	(4,537)
Property, plant and equipment	(2,032)	228	(1,804)	(70)	(1,874)
Other items	(923)	128	`(795)	180	(615)
Tax losses carry forward	3,516	-	3,516	-	3,516
Unabsorbed capital allowances	375	-	375	-	375
	(3,601)	356	(3,245)	110	(3,135)

11. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other deductible temporary differences	4,970	4,866	-	-
Unabsorbed capital allowances	1,752	1,453	-	-
Unutilised tax losses	7,048	5,378	-	-
	13,770	11,697	-	-

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.

Under current tax legislation, the tax loss carry-forward amounting to RM5.4 million will expire in year assessment 2025 while the remaining balance of RM1.7 million will expire in year assessment 2026. The deductible temporary differences do not expire under current tax legislation.

Notes to the Financial Statements

12. Trade and other receivables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Non-trade					
Amounts due from subsidiaries	12.4	-	-	270,934	305,869
		-	-	270,934	305,869
Current					
Trade					
Trade receivables	12.1	66,221	66,983	-	-
		66,221	66,983	-	-
Non-trade					
Amounts due from associates	12.2	2,370	18,430	-	1,345
Amounts due from joint ventures	12.3	36,844	32,252	6,135	5,748
Amounts due from subsidiaries	12.4	-	-	3,277	4,826
Other receivables	12.5	10,681	22,142	-	451
Deposits		2,094	2,045	-	-
		51,989	74,869	9,412	12,370
		118,210	141,852	280,346	318,239

12.1 Included in trade receivables of the Group are retention sums amounting to RM13,954,000 (2018: RM12,053,000) relating to construction work-in-progress. Retentions are unsecured, interest-free and are expected to be due for collection as follows:

	Group 2019 RM'000	Group 2018 RM'000
Within 1 year	3,030	2,720
1 – 2 years	3,957	3,786
2 – 3 years	6,504	2,034
3 – 4 years	463	3,447
4 – 5 years	-	-
More than 5 years	-	66
	13,954	12,053

12. Trade and other receivables (continued)

12.2 The amounts due from associates of the Group and of the Company were unsecured, interest free and repayable on demand except for an amount of Nil (2018: RM1.34 million) which bears interest of Nil (2018: 7.9%) per annum.

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 RM13.9 million (2018: RM19.1 million) and RM6.1 million (2018: RM5.7 million) which bears interest of 6.7% to 7.7% (2018: 6.9% to 7.9%) per annum, respectively.

12.4 The amounts due from subsidiaries are unsecured, interest free and repayable upon demand except for amounts of RM274.2 million (2018: RM307.4 million) which bear interest ranging from 2.0% to 7.7% (2018: 2.0% to 7.9%) per annum.

Included in the amount due from subsidiaries, there are RM270.9 million (2018: RM305.9 million) 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 RM1,152,000 (2018: RM1,152,000).

13. Contract with customers

Contract assets/(liabilities)

Group	2019 RM'000	2018 RM'000
Contract assets	70,170	59,328
Contract liabilities	(5,601)	(1,063)

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.

Notes to the Financial Statements

14. Inventories

	Note	Group 2019 RM'000	Group 2018 RM'000
At cost:			
Spares		7	13
Consumables		29	135
Completed properties held for sale		22,896	29,189
Properties under development	14.1	108,831	108,831
		131,763	138,168

14.1 Properties under development comprises:

	2019 RM'000	2018 RM'000
Land held for property development	108,615	108,615
Development costs	216	216
	108,831	108,831

The land held for property development with carrying amount of RM108,615,000 (2018: 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits with licensed banks				
- Malaysia	10,354	7,207	136	1,064
- Outside Malaysia	75,520	52,268	75,520	52,268
	85,874	59,475	75,656	53,332
Cash and bank balances				
- Malaysia	21,606	31,827	3,388	20,988
- Outside Malaysia	13,864	23,845	-	635
	35,470	55,672	3,388	21,623
	121,344	115,147	79,044	74,955

Included in the deposits with licensed banks of the Group is amount of RM30,000 (2018: RM30,000) pledged for facilities (Note 18.3) granted to the Group.

Notes to the Financial Statements

16. Assets classified as held for sale

A piece of leasehold industrial land under a Group entity is 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. Efforts to sell the disposal group have commenced, and a sale is expected by April 2020. At 31 December 2019, the assets classified as held for sale are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Assets classified as held for sale		
Investment property	494	-

The carrying value of investment property of the disposal group is the same as its carrying value before it was being reclassified to current asset.

17. Capital and reserves

17.1 Share capital

	Note	Group and Company			
		Amount	Number of shares	Amount	Number of shares
		2019	2019	2018	2018
		RM'000	'000	RM'000	'000
Ordinary shares					
Issued and fully paid:					
At beginning of year		424,465	847,113	424,465	677,694
Issued under bonus issue	a	-	-	-	169,419
At end of year		424,465	847,113	424,465	847,113

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

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

Notes to the Financial Statements

17. Capital and reserves (continued)

17.2 Treasury shares

The Company repurchased 19,544,900 (2018: 22,050,100) ordinary shares of its issued share capital from the open market, at an average costs of RM0.24 (2018: RM0.25) per share. The total consideration paid for the share buy-back including transaction costs during the current financial period to date amounted to RM4.64 million (2018: RM5.43 million) and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016.

During the financial year ended 31 December 2019, the Company distributed 28,173,780 (2018: Nil) treasury shares to entitled shareholders as share dividend. At the end of the year, the number of treasury shares held was 18,560,047 (2018: 27,188,927) 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Term loans (secured)	18.1	2,964	3,007	-	-
Finance lease liabilities	18.2	2,809	4,631	-	83
		5,773	7,638	-	83
Current					
Bank overdrafts (unsecured)		1,430	1,430	-	-
Bankers' acceptances (unsecured)	18.3	8,478	10,354	-	-
Revolving credits (unsecured)	18.3	3,000	7,000	-	-
Term loans (secured)	18.1	181	19,716	-	-
Term loans (unsecured)	18.1	3,003	-	-	-
Finance lease liabilities	18.2	2,237	2,243	83	216
		18,329	40,743	83	216
		24,102	48,381	83	299

18. Loans and borrowings (continued)

18.1 Term loans

Secured term loans are secured via the following:

a) Legal charge over the freehold buildings owned by a Group entity with carrying amount of RM1,420,000 (Note 3.2).

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

	Under 1 year RM'000 2019	1 to 5 years RM'000 2019	More than 5 years RM'000 2019	Under 1 year RM'000 2018	1 to 5 years RM'000 2018	More than 5 years RM'000 2018
Group						
Term loan						
- secured	181	733	2,231	19,716	1,124	1,883
- unsecured	3,003	-	-	-	-	-
	3,184	733	2,231	19,716	1,124	1,883

18.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments RM'000 2019	Interest RM'000 2019	Present value of minimum lease payments RM'000 2019	Future minimum lease payments RM'000 2018	Interest RM'000 2018	Present value of minimum lease payments RM'000 2018
Group						
Less than one year	2,475	(238)	2,237	2,551	(308)	2,243
Between one and five years	3,043	(234)	2,809	5,043	(412)	4,631
	5,518	(472)	5,046	7,594	(720)	6,874
Company						
Less than one year	84	(1)	83	225	(9)	216
Between one and five years	-	-	-	84	(1)	83
	84	(1)	83	309	(10)	299

Notes to the Financial Statements

18. Loans and borrowings (continued)

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

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

	Finance lease liabilities RM'000	Term loan RM'000	Others RM'000	Total RM'000
Group				
2019				
Balance at beginning of the year	6,874	22,723	17,354	46,951
Drawdown of other 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)
Balance at end of the year	5,046	6,148	11,478	22,672
2018				
Balance at beginning of the year	6,881	43,555	11,389	61,825
Drawdown of other borrowings	-	-	6,965	6,965
Repayment of borrowings	-	(23,558)	(1,000)	(24,558)
Acquisition of property, plant and equipment through finance lease liabilities	1,898	-	-	1,898
Acquisition of loans and borrowings through business combination	584	2,726	-	3,310
Repayment of finance lease liabilities	(2,489)	-	-	(2,489)
Balance at end of the year	6,874	22,723	17,354	46,951

	Finance lease liabilities 2019 RM'000	Finance lease liabilities 2018 RM'000
Company		
Balance at beginning of the year	299	505
Repayment of finance lease liabilities	(216)	(206)
Balance at end of the year	83	299

19. Trade and other payables

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade payables		39,517	29,197	-	-
Accrued expenses		31,589	32,234	-	-
		71,106	61,431	-	-
Non-trade					
Amounts due to associates	19.1	1,908	549	1,300	-
Amounts due to subsidiaries	19.2	-	-	23,133	40,694
Other payables	19.3	10,707	16,444	841	1,077
Accrued expenses		1,133	873	339	60
		13,748	17,866	25,613	41,831
		84,854	79,297	25,613	41,831

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) RM6.7 million (2018: RM10.6 million) being amount due to non-controlling interest of a subsidiary for business operation funding. The amount is unsecured, bearing interest of 8.2% (2018: 8.4%) per annum and repayable upon demand.

ii) RM700,000 (2018: RM560,000) being dividend payable by a subsidiary to non-controlling interest.

Notes to the Financial Statements

20. Revenue

Group	Continuing operations 2019 RM'000	Continuing operations 2018 RM'000	Discontinued operation (Note 24) 2019 RM'000	Discontinued operation (Note 24) 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Revenue from contract with customers						
Construction						
- Water projects	94,967	26,120	-	-	94,967	26,120
- Wastewater projects	37,655	40,897	-	-	37,655	40,897
- Water system repairs	30,265	35,628	-	-	30,265	35,628
- Others	568	480	-	-	568	480
Concessions	883	1,481	-	-	883	1,481
Trading and services						
- Transportation	17,428	16,749	-	-	17,428	16,749
- Solar power services	1,070	2,371	-	-	1,070	2,371
- Others	683	888	-	471	683	1,359
Property development	7,773	5,607	-	-	7,773	5,607
Total revenue	191,292	130,221	-	471	191,292	130,692
Company						
Dividends	563	818	-	-	563	818

Notes to the Financial Statements

20. Revenue (continued)

20.1 Disaggregation of revenue

	Construction		Concessions		Trading and services		Property development		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Primary geographical markets										
Malaysia	107,330	103,125	883	1,481	17,969	17,610	7,773	5,607	133,955	127,823
Vietnam	16,575	-	-	-	-	-	-	-	16,575	-
Sri Lanka	39,550	-	-	-	-	-	-	-	39,550	-
The United Kingdom	-	-	-	-	1,070	2,371	-	-	1,070	2,371
Norway	-	-	-	-	72	-	-	-	72	-
China	-	-	-	-	-	27	-	-	-	27
Other countries	-	-	-	-	70	-	-	-	70	-
	163,455	103,125	883	1,481	19,181	20,008	7,773	5,607	191,292	130,221
Major products and services lines										
Water projects	94,967	26,120	-	-	-	-	-	-	94,967	26,120
Wastewater projects	37,655	40,897	-	-	-	-	-	-	37,655	40,897
Water system repairs	30,265	35,628	-	-	-	-	-	-	30,265	35,628
Concessions	-	-	883	1,481	-	-	-	-	883	1,481
Property development	-	-	-	-	-	-	7,773	5,607	7,773	5,607
Transportation	-	-	-	-	17,428	16,749	-	-	17,428	16,749
Solar power services	-	-	-	-	1,070	2,371	-	-	1,070	2,371
Others	568	480	-	-	683	888	-	-	1,251	1,368
	163,455	103,125	883	1,481	19,181	20,008	7,773	5,607	191,292	130,221
Timing and recognition										
Over time	163,455	103,125	-	-	16,430	19,120	-	-	179,886	122,245
At a point in time	-	-	883	1,481	2,751	888	7,773	5,607	11,406	7,976
Total revenue	163,455	103,125	883	1,481	19,181	20,008	7,773	5,607	191,292	130,221

Notes to the Financial Statements

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.

Group	More than 1 year	
	2019	2018
	RM'000	RM'000
Water projects	313,810	261,153
Wastewater projects	37,415	72,007
Water system repairs	30,149	36,641
	381,374	369,801

The Group applies the following practical expedients:

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

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	
	2019	2018
	RM'000	RM'000
Associates	19,116	29,879
Joint ventures	148,607	432,982
	167,723	462,861

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.

Notes to the Financial Statements

21. Key management personnel compensation

The key management personnel compensation is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	370	569	310	293
- Remuneration	6,373	6,095	-	-
- Other short term employee benefits (including estimated monetary value of benefit-in-kind)	393	342	24	23
	7,136	7,006	334	316

22. Finance costs

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	3,147	3,865	9	19
Interest expense on lease liabilities	173	-	-	-
	3,320	3,865	9	19

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income tax expense on continuing operations	2,419	2,224	320	467
Income tax expense on discontinued operation	-	1	-	-
Share of tax of equity-accounted associates/joint ventures	1,960	1,178	-	-
Total income tax expense	4,379	3,403	320	467

Notes to the Financial Statements

23. Tax expense (continued)

Recognised in profit or loss (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Major components of income tax expense include:				
Income tax expense				
Malaysian - current year	2387	2,265	388	497
- prior year	142	312	(68)	(30)
Overseas - prior year	-	4	-	-
Total income tax recognised in profit or loss	2,529	2,581	320	467
Deferred tax expense				
Origination and reversal of temporary differences	(1,717)	(2,719)	-	-
Under provision in prior year	1,607	2,363	-	-
Total deferred tax recognised in profit or loss	(110)	(356)	-	-
Share of tax of equity-accounted associates/joint ventures	1,960	1,178	-	-
Total tax expense	4,379	3,403	320	467
Reconciliation of tax expense				
Loss for the year	(8,967)	(4,393)	(8,424)	(24,651)
Total tax expense	4,379	3,403	320	467
Loss excluding tax	(4,588)	(990)	(8,104)	(24,184)
Income tax calculated using Malaysian tax rate of 24%	(1,101)	(238)	(1,945)	(5,804)
Effect of tax rates in foreign jurisdictions	72	66	-	-
Non-deductible expenses	4,597	2,654	5,080	7,132
Tax exempt income	(1,436)	(1,811)	(135)	(196)
Non-taxable income	-	-	(2,612)	(640)
Effect of deferred tax assets not recognised	498	53	-	5
	2,630	724	388	497
Under/(Over) provision in prior years	1,749	2,679	(68)	(30)
	4,379	3,403	320	467

Notes to the Financial Statements

24. Discontinued operation

During the year, the disposal of Eco World-Salcon Y1 Pty Ltd and the strike off of Salcon Engineering India have been completed during the financial year.

In 2018, the disposal of Rayvn AS had been completed during the financial year.

Profit attributable to the discontinued operation was as follows:

		Group	
	Note	2019 RM'000	2018 RM'000
Revenue	20	-	471
Expenses		-	(1,823)
Results from operating activities, net of tax		-	(1,352)
Gain on sale of discontinued operations		1,330	745
Share of loss of associate		(547)	-
Profit/(Loss) for the year		783	(607)
Included in results from operating activities are:			
Depreciation of property, plant and equipment		-	195
Amortisation of intangible assets		-	-
Finance income		-	7
Finance cost		-	40
Cash flows from discontinued operation			
Net cash used in operating activities		-	(122)
Net cash from investing activities		-	7
Net cash used in financing activities		-	(40)
Effect on cash flows		-	(155)

Notes to the Financial Statements

24. Discontinued operation (continued)

Effect of disposal on the financial position of the Group

	2019 RM'000	2018 RM'000
Investment in associate	11,773	-
Property, plant and equipment	-	38
Trade and other receivables	-	1,991
Inventories	-	53
Cash and cash equivalents	2	23
Trade and other payables	(644)	(5,083)
Effect of foreign currency difference	667	75
Non-controlling interest	-	2,158
Net assets/(liabilities)	11,798	(745)
Gain on sale of discontinued operations	1,330	745
Consideration received, satisfied in cash	13,128	-
Cash and cash equivalent disposed of	(2)	(23)
Net cash inflow/(outflow)	13,126	(23)

Notes to the Financial Statements

25. Loss for the year

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss for the year is arrived at after charging/ (crediting)					
Auditors' remunerations					
- Audit fees					
- Current year					
KPMG Malaysia		410	422	175	175
Overseas affiliates of KPMG Malaysia		98	106	-	-
Other auditors		39	71	-	-
- Underprovision in prior year					
KPMG Malaysia		-	52	-	-
- Non-audit fees					
- KPMG Malaysia		35	35	35	35
Material expenses/(income)					
Amortisation of intangible asset		697	-	-	-
Depreciation of property, plant and equipment		3,730	4,849	-	226
Depreciation of right-of-use assets		2,062	-	226	-
Dividend income from:					
- Other investment		(2)	-	(2)	-
- Subsidiaries		-	-	(561)	(818)
- Joint ventures		(2,400)	-	-	-
Fair value (gain)/loss on other investments		(1,787)	302	(1,787)	302
Finance income:					
- Subsidiaries		-	-	(4,731)	(4,809)
- Others		(2,872)	(3,677)	(1,325)	(1,261)
Finance cost on:					
- Bank overdraft		48	54	-	-
- Loans		924	2,069	-	-
- Other borrowings		2,348	1,742	9	19
Loss/(Gain) on disposal of equity interest in subsidiaries		25	(745)	-	-
Gain on disposal of equity interest in associate companies		(1,355)	-	-	-
Gain on disposal of other investment		(377)	-	(377)	-
Gain on disposal of property, plant and equipment		(50)	(2,170)	-	-
Impairment losses:					
- Investments in subsidiaries		-	-	9,531	6,107
- Investments in associates		6,192	-	1,584	-
- Property, plant and equipment		37	-	-	-
Loss on liquidation of a subsidiary		-	49	-	-

Notes to the Financial Statements

25. Loss for the year (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Material expenses/(income) (continued)					
Net realised foreign exchange loss/(gain)		608	(1,128)	(315)	560
Net unrealised foreign exchange loss/(gain)		558	5,411	(317)	1,313
Other receivables written off		451	-	449	-
Personnel expenses (including key management personnel):					
- Contributions to Employees Provident Fund		2,444	2,375	455	425
- Wages, salaries and others		22,788	22,627	4,155	3,894
Property, plant and equipment written off		32	198	-	-
Reversal of impairment loss:					
- Property, plant and equipment		-	(1,632)	-	-
Expenses/(income) arising from leases					
Expenses relating to short term leases	25.1	892	-	-	-
Expenses relating to leases of low value assets	25.1	30	-	-	-
Rental expense		-	2,519	-	-
Rental income on premises		(147)	(42)	-	-
Net (gain)/loss on impairment of financial instruments					
Financial assets at amortised cost					
Impairment loss					
- Trade receivables		200	194	-	-
- Amounts due from subsidiaries		-	-	-	17,267
Reversal of impairment loss					
- Trade receivables		(2,528)	(217)	-	-
- Amounts due from subsidiaries		-	-	(3,186)	-
		(2,328)	(23)	(3,186)	17,267

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.

Notes to the Financial Statements

26. Other comprehensive income/(expense)

Group	Before tax RM'000	Tax RM'000	Net of tax RM'000
2019			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(8,937)	-	(8,937)
2018			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	3,511	-	3,511

27. (Loss)/Earnings per ordinary share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2019 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 operation RM'000	Total RM'000
2019			
(Loss)/Profit attributable to ordinary shareholders	(9,434)	783	(8,651)
2018			
Profit/(Loss) attributable to ordinary shareholders	2,723	(607)	2,116

	Group 2019 '000	Group 2018 '000
Weighted average number of ordinary shares at 31 December	841,904	838,018
From continuing operations	(1.12)	0.32
From discontinued operation	0.09	(0.07)
Basic (loss)/earnings per ordinary share	(1.03)	0.25

27. (Loss)/Earnings per ordinary share (continued)

Diluted (loss)/earnings per ordinary share

The potential ordinary shares i.e. warrants are anti-dilutive in nature as their respective exercise price exceeds the average market price of the ordinary shares at the end of the reporting period.

(Loss)/Profit attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operation RM'000	Total RM'000
2019			
(Loss)/Profit attributable to ordinary shareholders (basic/diluted)	(9,434)	783	(8,651)
2018			
Profit/(Loss) attributable to ordinary shareholders (basic/diluted)	2,723	(607)	2,116

	Group 2019 '000	Group 2018 '000
Weighted average number of ordinary shares at 31 December (diluted)	841,904	838,018
From continuing operations	(1.12)	0.32
From discontinued operation	0.09	(0.07)
Diluted (loss)/earnings per ordinary share	(1.03)	0.25

28. Dividends

Dividends recognised by the Company:

	Total amount RM'000	Date of payment
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
2018		
First and final single tier dividend of 1 sen per share	6,731	19 July 2018

Notes to the Financial Statements

28. Dividends (continued)

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

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.

Notes to the Financial Statements

29. Operating segments (continued)

Segment liabilities

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

Segment capital expenditure

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

Group 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
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
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)

Notes to the Financial Statements

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
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
2018							
Segment profit/(loss)	6,813	5,770	5,682	(7,139)	11,126	(607)	10,519
Included in the measure of segment profit/(loss) are:							
Revenue from external customers	103,125	1,481	20,008	5,607	130,221	471	130,692
Share of profit/(loss) of associates	-	4,333	(251)	(1,539)	2,543	-	2,543
Share of profit of joint ventures	8,293	-	32	-	8,325	-	8,325

Notes to the Financial Statements

29. Operating segments (continued)

Group 2018	Constructions RM'000	Concessions RM'000	Trading and Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
Not included in the measure of segment profit/(loss) but provided to CODM:							
Depreciation and amortisation	(995)	-	(3,853)	(1)	(4,849)	(195)	(5,044)
Finance costs	(781)	-	(367)	(2,717)	(3,865)	(40)	(3,905)
Finance income	2,772	11	1	893	3,677	7	3,684
Tax expense	(1,260)	(1)	(956)	(7)	(2,224)	(1)	(2,225)
Segment assets	331,085	27,796	72,650	177,879	609,410	-	609,410
Included in the measure of segment assets are:							
Investment in associates	-	27,369	(541)	12,321	39,149	-	39,149
Investment in joint ventures	24,029	-	15,987	-	40,016	-	40,016
Additions to non-current assets other than financial instruments and deferred tax assets	676	-	5,035	-	5,711	-	5,711

Notes to the Financial Statements

29. Operating segments (continued)

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

	Group	
	2019 RM'000	2018 RM'000
Profit or loss		
Total profit or loss for reportable segments	9,350	11,126
Depreciation and amortisation	(6,489)	(4,849)
Finance costs	(3,320)	(3,865)
Finance income	2,872	3,677
Unrealised and realised foreign exchange differences	(1,166)	(4,283)
Unallocated expenses:		
Corporate expenses	(8,578)	(3,368)
Consolidated loss before tax from continuing operations	(7,331)	(1,562)
Profit/(Loss) from discontinued operation, net of tax	783	(607)
Consolidated loss before tax	(6,548)	(2,169)

Geographical segments

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

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

	Geographical information			
Group	Revenue 2019 RM'000	Non-current assets 2019 RM'000	Revenue 2018 RM'000	Non-current assets 2018 RM'000
Malaysia	190,222	60,866	127,823	58,694
The United Kingdom	1,070	8,755	2,371	9,113
Vietnam	-	79	-	102
China	-	5	27	5
	191,292	69,705	130,221	67,914
Discontinued operation	-	-	471	38
	191,292	69,705	130,692	67,952

Notes to the Financial Statements

29. Operating segments (continued)

Major customers

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

All common control of Companies:	Revenue 2019 RM'000	2018 RM'000	Segment
- Customer A	39,550	-	Construction
- Customer B	37,004	26,120	Construction
- Customer C	16,575	-	Construction
- Customer D	-	27,090	Construction
- Customer E	-	11,016	Trading and services
- Customer F	-	8,228	Construction

30. Financial instruments

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

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

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

Notes to the Financial Statements

30. Financial instruments (continued)

30.1 Categories of financial instruments (continued)

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

2019	Carrying amount RM'000	AC RM'000
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)
2018		
Financial liabilities		
Group		
Loans and borrowings	(48,381)	(48,381)
Trade and other payables	(79,297)	(79,297)
	(127,678)	(127,678)
Company		
Loans and borrowings	(299)	(299)
Trade and other payables	(41,831)	(41,831)
	(42,130)	(42,130)

30. Financial instruments (continued)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) on:				
Financial assets at fair value through profit or loss	2,164	(302)	2,164	(302)
Financial assets at amortised cost	1,256	(606)	6,239	4,197
Financial liabilities measured at amortised cost	(3,320)	(3,865)	(9)	(19)
	100	(4,773)	8,394	3,876
Net gains/(losses) on impairment of financial instruments:				
Financial assets at amortised cost	2,328	23	3,186	(17,267)

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)

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	
	2019	**2018**
	RM'000	**RM'000**
Domestic	101,697	116,654
Sri Lanka	20,445	1,832
Vietnam	7,380	602
India	4,177	4,177
United Kingdom	2,692	3,046
	136,391	126,311

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.

Notes to the Financial Statements

30. Financial instruments (continued)

30.4 Credit risk (continued)

Trade receivables and contract assets (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
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
2018			
Not past due	85,468	-	85,468
Past due 1 - 30 days	2,996	-	2,996
Past due 31 - 60 days	3,957	-	3,957
Past due 61 - 90 days	6,476	-	6,476
	98,897	-	98,897
Credit impaired			
More than 90 days past due	27,029	(6)	27,023
Individually impaired	8,898	(8,507)	391
	134,824	(8,513)	126,311
Trade receivables	75,496	(8,513)	66,983
Contract assets	59,328	-	59,328
	134,824	(8,513)	126,311

Notes to the Financial Statements

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
2019		
Balance at beginning of year	(8,513)	(8,513)
Amounts written off	84	84
Net remeasurement of loss allowance	2,328	2,328
Balance at end of year	(6,101)	(6,101)
2018		
Balance at beginning of year	(8,557)	(8,557)
Amounts written off	21	21
Net remeasurement of loss allowance	23	23
Balance at end of year	(8,513)	(8,513)

Cash and cash equivalents

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

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

Other receivables

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

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

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

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. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM80,158,000 (2018: RM101,366,000) representing the outstanding banking facilities of the subsidiaries and joint ventures that was supported by the financial guarantee issued by the Company as at end of the reporting period.

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

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

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

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

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

Notes to the Financial Statements

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:

	Impairment loss allowance	
	2019	2018
Company	**RM'000**	**RM'000**
Balance at beginning of year	17,267	-
Net remeasurement of loss allowance	(3,186)	17,267
Balance at end of year	14,081	17,267

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, 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.

Notes to the Financial Statements

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:

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
Term loans (unsecured)	3,003	4.50%	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	78,125	-	78,125	78,125	-	-	-
Other payables	6,729	8.15%	6,729	6,729	-	-	-
	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	-	-	-

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

2018	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)	22,723	6.01-6.36%	23,362	20,305	295	879	1,883
Bank overdraft (unsecured)	1,430	8.15-9.15%	1,430	1,430	-	-	-
Finance lease liabilities	6,874	2.85-6.18%	7,594	2,551	2,963	2,080	-
Bankers' acceptance (unsecured)	10,354	3.88-5.15%	10,354	10,354	-	-	-
Revolving credits (unsecured)	7,000	5.27-5.32%	7,000	7,000	-	-	-
Trade and other payables	68,734	-	69,797	69,797	-	-	-
Other payables	10,563	8.40%	10,563	10,563	-	-	-
	127,678		130,100	122,000	3,258	2,959	1,883
Company							
Non-derivative financial liabilities							
Finance lease liabilities	299	4.66%	309	225	84	-	-
Financial guarantees	-	-	101,366	101,366	-	-	-
Trade and other payables	41,831	-	41,831	41,831	-	-	-
	42,130		143,506	143,422	84	-	-

Notes to the Financial Statements

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**
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
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
2018							
Group							
Trade receivables	-	59	1,832	153	3,046	-	-
Cash and cash equivalents	8,279	5,111	10,302	54	20,943	3,251	28,527
Trade payables	-	-	(4,305)	(15)	(49)	-	-
Contract assets	-	-	-	4,024	-	602	-
Net exposure	8,279	5,170	7,829	4,216	23,940	3,853	28,527

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
SGD	1,090	629	1,090	629
USD	563	233	769	393
LKR	993	599	989	595
INR	321	321	320	320
GBP	823	549	1,943	1,819
VND	922	(572)	1,024	293
AUD	3,408	2,292	3,285	2,168
	8,120	4,051	9,420	6,217

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

Risk management objectives, policies and processes for managing the risk

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

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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	85,874	59,475	202,777	208,039
Financial liabilities	(8,520)	(6,874)	(83)	(299)
	77,354	52,601	202,694	207,740
Floating rate instruments				
Financial assets	15,475	20,467	153,225	167,291
Financial liabilities	(19,056)	(41,507)	-	-
	(3,581)	(21,040)	153,225	167,291

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

30. Financial instruments (continued)

30.6 Market risk (continued)

30.6.2 Interest rate risk (continued)

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
2019				
Floating rate instruments	(27)	27	1,165	(1,165)
2018				
Floating rate instruments	(160)	160	1,271	(1,271)

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
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Other investments	7,259	-	-	7,259	-	-	-	-	7,259	7,259
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(3,145)	(3,145)	(3,145)	(3,145)
Term loans (unsecured)	-	-	-	-	-	-	(3,003)	(3,003)	(3,003)	(3,003)
Finance lease liabilities	-	-	-	-	-	-	(5,000)	(5,000)	(5,000)	(5,046)
	-	-	-	-	-	-	(11,148)	(11,148)	(11,148)	(11,194)
Company										
Financial assets										
Other investments	4,053	-	-	4,053	-	-	-	-	4,053	4,053
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(81)	(81)	(81)	(83)

Notes to the Financial Statements

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
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Other investments	238	-	-	238	-	-	-	-	238	238
Financial liabilities										
Term loans (secured)	-	-	-	-	-	-	(22,723)	(22,723)	(22,723)	(22,723)
Finance lease liabilities	-	-	-	-	-	-	(6,760)	(6,760)	(6,760)	(6,874)
	-	-	-	-	-	-	(29,483)	(29,483)	(29,483)	(29,597)
Company										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	(290)	(290)	(290)	(299)

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:

	2019	2018
Group		
Finance lease liabilities	3.53%	3.53%
Company		
Finance lease liabilities	4.66%	4.66%

Notes to the Financial Statements

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 2019 and at 31 December 2018 were as follows:

	Group	
	2019	2018
	RM'000	RM'000
Total loans and borrowings (Note 18)	24,102	48,381
Lease liabilities	3,474	-
Less: Cash and cash equivalents (Note 15)	(121,344)	(115,147)
Net debt	(93,768)	(66,766)
Total equity	449,225	473,011
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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Bank guarantees given to financial institutions in respect of facilities granted to				
- subsidiaries	-	-	244,543	294,543
- joint venture	11,000	13,800	11,000	13,800
Guarantees given in favour				
Bank guarantee given to third parties relating to performance, tender and advance payment bonds	61,332	58,833	-	-

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	
	2019	**2018**
	RM'000	**RM'000**
Group		
Entity in which a Director has interest		
- disposal of interest in shares of associate	13,252	-
Company		
Subsidiaries		
- interest income	(4,731)	(4,809)

Notes to the Financial Statements

34. Capital and other commitments

	Group	
	2019	2018
	RM'000	RM'000
Capital expenditure commitments		
Contracted but not provided for	7,010	4,597

35. Significant events

Significant events during the year are as follows:

i) Eco World-Salcon Y1 Pty Ltd

On 11 April 2019, Salcon Development Sdn Bhd ("SDSB"), a wholly-owned subsidiary of Salcon, had entered into a Share Sale and Purchase Agreement with Fortune Quest Group Ltd ("Fortune Quest"), a wholly-owned subsidiary of Eco World International Berhad, for the disposal of its entire 4,519,569 shares comprising 20 ordinary shares and 4,519,549 preference shares, representing 20% of the total issued share capital in Eco World-Salcon Y1 Ptd Ltd ("EWSY1") for a total cash consideration of AUD4,519,569. Following the completion of disposal, EWSY1 ceased to be an associate of the Company.

ii) Senstrac Sdn. Bhd. (f.k.a. Circlic Interactive Sdn. Bhd.)

On 17 May 2019, Eco-Coach & Tours (M) Sdn Bhd ("ECT"), a 51.3%-owned subsidiary of Salcon Capital Sdn Bhd, a wholly-owned subsidiary of Salcon, had entered into a Sale and Purchase Agreement with Salcon Xinlian Group Ltd (formerly known as Salcon Water International Ltd) ("SXGL"), a 51%-owned subsidiary of Salcon, Mr See Che Chi ("SCC"), Ms Teoh Hooi Fang ("THF"), Mr Chuah Tse Leong ("CTL"), Dato' Ngiam Foon ("DNF") and Circlic Interactive Tourism Sdn Bhd (formerly known as Circlic Interactive Sdn Bhd) ('CIT') for the acquisition of a total of 200,000 ordinary shares, representing the entire equity interest in CIT by ECT from SXGL, SCC, THF, CTL and DNF, for a total cash consideration of RM5.00 only. Following the completion of the transaction, CIT ceased to be a 65%-owned subsidiary of SXGL and became a wholly-owned subsidiary of ECT.

In consideration of ECT's agreement to pay the Purchase Consideration in accordance to the terms and conditions of the Sales and Purchase Agreement, SXGL releases and discharges CIT from any obligation to pay the monies amounting to RM1,645,831 as owed by CIT to SXGL.

On 12 July 2019, Circlic Interactive Tourism Sdn Bhd had changed its name to Circlic Interactive Sdn Bhd.

On 5 December 2019, Circlic Interactive Sdn Bhd had changed its name to Senstrac Sdn Bhd.

iii) Salcon Engineering (India) Private Limited

On 15 November 2019, Salcon Engineering (India) Private Limited, a subsidiary of Salcon Engineering Berhad which in turn is a wholly-owned subsidiary of the Company, has been dissolved and the name of Salcon Engineering (India) Private Limited has been struck off the register of companies.

36. Subsequent event

Effect of COVID-19

The current COVID-19 outbreak will have an impact on the global economy, including markets where the Group operates. The businesses of the Group may be affected due to uncertainty in the market resulted from travel restrictions and lockdowns imposed by various countries. This in turn has caused operation interruptions due to halt in operations during the movement control order periods. As the COVID-19 outbreak situation is evolving, the Group is actively monitoring and managing the operations to minimise any potential impact.

37. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 with the initial application of the right-of-use assets is equivalent to the lease liabilities as at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5.32%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

37. Significant changes in accounting policies (continued)

As a lessee (continued)

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

37.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,423
Discounted using the incremental borrowing rate at 1 January 2019	1,351
Recognition exemption for short-term leases	(22)
Recognition exemption for leases of low-value assets	(3)
Extension and termination options reasonably certain to be exercised	3,423
Lease liabilities recognised at 1 January 2019	4,749

Notes to the Financial Statements

38. Comparative figures

The following comparatives have been reclassified in order to conform with the current year's presentation.

	Year ended 31.12.2018	
	As restated	As previously stated
Statement of comprehensive income	**RM'000**	**RM'000**
Group		
Other income	9,218	9,241
Net gain on impairment of financial instruments and contract assets	23	-
Company		
Other expenses	(6,365)	(23,632)
Net loss on impairment of financial instruments and contract assets	(17,267)	-

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 96 to 203 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 2019 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: 6 May 2020

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 96 to 203 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 6 May 2020.

....
Law Woo Hock

Before me:

Tan Seok Kett
(W530)
Commissioner for Oaths
Kuala Lumpur

Independent Auditors’ Report

to the members of Salcon Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salcon Berhad, which comprise the statements of financial position as at 31 December 2019 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 96 to 203.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Adopting MFRS 15 Revenue from Contracts with Customers

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

Independent Auditors' Report

to the members of Salcon Berhad

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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

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

Independent Auditors' Report

to the members of Salcon Berhad

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional 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.

Independent Auditors' Report

to the members of Salcon Berhad

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 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: 6 May 2020

Particulars of Group Properties

The properties of the Group as at 31 December 2019 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	23 years	14/03/2002	95
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	40 years	21/12/2017	894
Envitech Sdn Bhd	No.79, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	15 years	15/05/2013	988
Envitech Sdn Bhd	No.81, Lorong Sanggul 1F, Bandar Puteri, 41200 Klang, Selangor Darul Ehsan	1,540 sq ft of 3 storey shop	15 years	15/05/2013	1,186
Eco-Coach & Tours (M) Sdn Bhd	No. 25, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	14 years	23/01/2013	963
Eco-Coach & Tours (M) Sdn Bhd	No. 26, Jalan Seri Waja 2, Taman Industri Waja, 09000 Kulim, Kedah	1½ storey semi-detached factory	14 years	23/01/2013	963
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	6 years	26/06/2018	183
					5,272

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	17 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	11 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	10 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	10 years	1/11/2011	367
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG16	920 sq. ft. of intermediate shop	10 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG18	920 sq. ft. of intermediate shop	10 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG20	920 sq. ft. of intermediate shop	10 years	10/11/2011	298
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG21	920 sq. ft. of intermediate shop	10 years	10/11/2011	284
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-SG23	920 sq. ft. of intermediate shop	10 years	10/11/2011	473
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SA-0106	920 sq. ft. of intermediate shop	10 years	10/11/2011	306

Particulars of Group Properties

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Ukay Perdana Shoplot as Lot No. SB-0111	920 sq. ft. of intermediate shop	10 years	10/11/2011	406
Envitech Sdn Bhd	Unit No. Parcel 12A, 150 Ground Floor, Block D Shop & Office At Pulau Melaka	1,300 sq. ft. of end lot shop	8 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	8 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	8 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	8 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	8 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	8 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	8 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	8 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	8 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	8 years	22/11/2012	201

Particulars of Group Properties

INVESTMENT PROPERTIES (CONTINUED)

Company	Location/Address	Size & Usage	Approximate age of building	Date of Acquisition/ Revaluation	NBV RM'000
Envitech Sdn Bhd	Unit No. Parcel 61-2B, Lot 207 (191-2B), 2nd Floor, Block J Shop & Office At Pulau Melaka	1,418 sq. ft. of corner shop	8 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	-	26/12/2019	703
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	-	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	-	26/12/2019	811
Salcon Engineering Berhad	B-PH-07, Casa Subang, Service Apartment Subang USJ 1	1,555 sq. ft. of service apartment	12 years	31/12/2015	550
					9,924

Particulars of Group Properties

LAND HELD FOR PROPERTY DEVELOPMENT

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

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

I. Analysis of Shareholdings

Number of issued shares		:	847,113,655 ordinary shares (including 44,700,047 treasury shares held)
Class of shares		:	Ordinary share
Voting rights:	On show of hands	:	One vote for each shareholder
	On poll	:	One vote for each ordinary share

Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	Number of Shares	Percentage of Issued Shares(%)
Less than 100	1,677	83,267	0.010
100 – 1,000	1,018	273,239	0.034
1,001 – 10,000	2,652	12,723,776	1.585
10,001 – 100,000	4,609	144,884,508	18.056
100,001 – less than 5% of issued shares	888	491,800,973	61.290
5% and above of issued shares	2	152,647,845	19.023
Total	10,846	802,413,608	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	91,054,768	11.348	-	-
Tan Sri Dato' Tee Tiam Lee	52,695,516	6.567	61,593,077 (1)	7.676
Datin Goh Phaik Lynn	-	-	91,054,768 (2)	11.348
	-	-	409,479 (3)	0.051
	-	-	4,913,793 (4)	0.612
Dato' Leong Kok Wah	4,913,793	0.612	409,479 (3)	0.051
	-	-	91,054,768 (5)	11.348
Tee Xun Hao	212,929	0.027	61,593,077 (1)	7.676
Infra Tropika Sdn Bhd	61,593,077	7.676	-	-

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

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

List of 30 Largest Shareholders

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
1	NAGA MUHIBAH SDN BHD	91,054,768	11.348
2	INFRA TROPIKA SDN BHD	61,593,077	7.676
3	KONG HON KONG	36,870,691	4.594
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SWEE YEE (M09)	34,989,467	4.360
5	TAN SRI DATO' TEE TIAM LEE	28,471,379	3.548
6	LEE THIAM LAI	21,266,163	2.650
7	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	17,758,620	2.213
8	TENG LI LING	11,344,295	1.413
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE THIAM LAI	10,000,000	1.246
10	CHIN CHIN SEONG	9,698,275	1.208
11	PEMBINAAN PUNCA CERGAS SDN BHD	8,809,924	1.098
12	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE THIAM LAI (THIRD PARTY)	7,000,000	0.872
13	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	6,465,517	0.805
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	4,913,793	0.612
15	CHIN CHIN SEONG	4,359,413	0.543
16	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	3,749,504	0.467

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

No.	Name of Shareholders	No. of Shares	Percentage of Issued Shares (%)
17	GHS STRATEGIC HOLDINGS SDN BHD	3,602,153	0.448
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH TAI SIANG	3,580,717	0.446
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEU LEONG	3,465,574	0.431
20	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	3,459,194	0.431
21	DATO' SERI (DR.) GOH ENG TOON	3,139,366	0.391
22	DATO' CHOONG MOH KHENG	3,101,722	0.387
23	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	2,944,396	0.366
24	GOLDEN FRESH SDN BHD	2,729,884	0.340
25	JFCB HOLDINGS SDN BHD	2,729,884	0.340
26	OOI CHENG SWEE @ WEE KWEE SWEE	2,695,760	0.335
27	DATO' FREEZAILAH BIN CHE YEOM	2,389,194	0.297
28	PNG CHIEW CHUAN	2,338,246	0.291
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SUI YUING (E-BTL)	2,232,225	0.278
30	KOAY BEE LI	2,213,600	0.275
		398,966,801	49.720

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

Directors' Shareholdings

Name of Directors	Direct Interest No. of shares	Direct Interest Percentage of Issued Shares (%)	Indirect Interest No. of shares	Indirect Interest Percentage of Issued Shares (%)
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	52,695,516	6.567	61,806,006 (1)	7.703
Dato' Leong Kok Wah	4,913,793	0.612	409,479 (2)	0.051
	-	-	91,054,768 (3)	11.348
Datin Goh Phaik Lynn	-	-	409,479 (2)	0.051
	-	-	4,913,793 (4)	0.612
	-	-	91,054,768 (5)	11.348
Dato' Choong Moh Kheng	3,101,722	0.387	8,809,924 (6)	1.098
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 13 April 2020

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	2,226	74,521	0.022
100 – 1,000	753	333,190	0.098
1,001 – 10,000	3,800	15,945,788	4.737
10,001 – 100,000	2,186	66,534,621	19.768
100,001 – less than 5% of outstanding warrants	403	177,279,089	52.672
5% and above of outstanding warrants	3	76,399,434	22.699
Total	9,371	336,566,643	100.00

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

List of 30 Largest Warrantholders

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
1	NAGA MUHIBAH SDN BHD	35,207,844	10.461
2	INFRA TROPIKA SDN BHD	23,815,990	7.076
3	TAN SRI DATO' TEE TIAM LEE	17,375,600	5.163
4	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SWEE YEE (M09)	10,000,000	2.971
5	TAN SOON TEONG	8,538,500	2.536
6	CHIN CHIN SEONG	8,450,000	2.510
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KOH WAH (MY1842)	5,716,300	1.698
8	CHIN CHIN SEONG	3,850,000	1.143
9	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG WYMIN (M09)	3,000,000	0.891
10	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SRI DATO' TEE TIAM LEE	3,000,000	0.891
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG (E-KLC)	2,825,000	0.839
12	PEMBINAAN PUNCA CERGAS SDN BHD	2,500,000	0.743
13	GOH SIEW MAY	2,190,200	0.650
14	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW SHI SHEN (CCTS)	2,000,000	0.594
15	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VINCENT PHUA CHEE EE	1,900,000	0.564
16	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' LEONG KOK WAH	1,900,000	0.565

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

No.	Name of Warrantholders	No. of Warrants	Percentage of Outstanding Warrants (%)
17	LEOW HONG YEN	1,800,000	0.534
18	SIA YIOK SEH	1,684,000	0.500
19	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,638,500	0.486
20	CHAN WING HONG	1,500,000	0.445
21	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE POH SUAN (MY2074)	1,432,800	0.425
22	TAN AH LEK	1,400,000	0.415
23	GHS STRATEGIC HOLDINGS SDN BHD	1,392,833	0.413
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	1,337,555	0.397
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG KEE SOON	1,300,000	0.386
26	OUI KEE SENG	1,252,000	0.371
27	CHONG KEE SOON	1,234,300	0.366
28	DATO' SERI (DR.) GOH ENG TOON	1,213,888	0.360
29	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KONG TECK (CEB)	1,131,200	0.336
30	CHIANG SIONG CHIEW @ CHIONG SIONG CHIEW	1,100,000	0.326
		151,686,510	45.068

Analysis of Shareholdings and Warrantholdings

as at 13 April 2020

Directors' Warrantholdings

	Direct Interest		Indirect Interest	
Name of Directors	**No. of warrants**	**Percentage of outstanding warrants (%)**	**No. of warrants**	**Percentage of outstanding warrants (%)**
Tan Sri Abdul Rashid bin Abdul Manaf	-	-	-	-
Tan Sri Dato' Tee Tiam Lee	20,375,600	6.054	23,898,323 (1)	7.101
Dato' Leong Kok Wah	1,900,000	0.565	158,332 (2)	0.047
	-	-	35,207,844 (3)	10.461
Datin Goh Phaik Lynn	-	-	158,332 (2)	0.047
	-	-	1,900,000 (4)	0.565
	-	-	35,207,844 (5)	10.461
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

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	Page
GRI 100: GENERAL DISCLOSURE			
1. Organizational Profile			
102-1	Name of the organization	Facts at a Glance	01
102-2	Activities, brands, products, and services	Management Discussion & Analysis	20-27
102-3	Location of headquarters	Facts at a Glance	01
102-4	Location of operations	Facts at a Glance	01
102-5	Ownership and legal form	Corporate Structure	6-7
102-6	Markets served	Our Business	2-3
102-7	Scale of the organization	Facts at a Glance	01
102-8	Information on employees and other workers	Diversity & Inlcusion	59
102-9	Supply chain	Sustainable Supply Chain	45
102-12	External initiatives	United Nations Global Compact, Sustainable Development Goals	36
102-13	Membership of associations	Membership Participation	48
2. Strategy			
102-14	Statement from senior decision-maker	Chairman's Statement	18-19
3. Ethics and integrity			
102-17	Mechanisms for advice and concerns about ethics	Code of Ethics & Conduct	43
4. Governance			
102-18	Governance structure	Corporate Information	4
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Committee	4
102-21	Consulting stakeholders on economic, environmental, and social topics	Materiality	32-33
102-22	Composition of the highest governance body and its committees	Corporate Information	4
102-23	Chair of the highest governance body	Corporate Information	4
102-24	Nominating and selecting the highest governance body	Re-election of Directors	74
102-25	Conflicts of interest	Corporate Governance Overview Statement	73, 75, 78
102-26	Role of highest governance body in setting purpose, values, and strategy	Board Responsibility	72-76
102-27	Collective knowledge of highest governance body	Profile of Directors, Profile of the Key Senior Management	10-17
102-31	Review of economic, environmental, and social topics	Sustainability Governance	31
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	31
102-34	Nature and total number of critical concerns	Materiality Analysis	34

Global Reporting Initiative (GRI) Content Index

GRI Standards	Disclosure Item	Section of Disclosure	Page
GRI 100: GENERAL DISCLOSURE			
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	37-41
102-42	Identifying and selecting stakeholders	Materiality	32
102-43	Approach to stakeholder engagement	Stakeholder Engagement	37-41
102-44	Key topics and concerns raised	Stakeholder Engagement	37-41
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Investments in Subsidiaries, Investments in Associates, Investments in Joint Ventures	143-152
102-46	Defining report content and topic Boundaries	Scope of Report	29
102-47	List of material topics	Materiality Analysis	34
102-50	Reporting period	Scope of Report	29
102-51	Date of the most recent report	Report Overview	29
102-52	Reporting cycle	Report Overview	29
102-53	Contact point for questions regarding the report	Feedback	29
102-54	Claims of reporting in accordance with the GRI standards	References & Guidelines	29
102-55	GRI content index	References & Guidelines	231
GRI 200: ECONOMIC STANDARDS			
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Economic Performance	46
201-3	Defined benefit plan obligations and other retirement plans	Workplace Well-being	64
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Management Discussion & Analysis	20-27
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption	44
205-3	Confirmed incidents of corruption and action taken	Anti-corruption	44
GRI 300: ENVIRONMENT STANDARDS			
GRI 301: Materials			
301-1	Materials used by weight and volume	3-Year Raw Material Used Data	57
GRI 302: Energy			
302-1	Energy consumption within the organization	3-Year Energy Consumption Data	54
302-4	Reduction of energy consumption	3-Year Energy Consumption Data	54
GRI 303: Water			
303-1	Water withdrawal by source	3-Year Water Consumption Data	56

Global Reporting Initiative (GRI) Content Index

GRI Standards	Disclosure Item	Section of Disclosure	Page
GRI 300: ENVIRONMENT STANDARDS			
GRI 306: Effluents and Waste			
306-4	Transport of hazardous waste	Climate Change Adaptation on Strategies & Initiatives	52
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Climate Change Adaptation on Strategies & Initiatives	51
GRI 400: SOCIAL STANDARDS			
GRI 401: Employment			
401-1	New employee hires and employee turnover	Talent Retention & Attraction	62
GRI 403: Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	S.H.E. Committee	65
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Accident Management	65
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training & Development	63
404-2	Program for upgrading employee skills and transition assistance programs	Categories of Training	63
404-3	Percentage of employees receiving regular performance and career development reviews	Training & Development	63
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Women Empowerment & Gender Diversity	60-62
405-2	Ratio of basic salary and remuneration of women to men	Women Empowerment & Gender Diversity	62
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Diversity & Inclusion	59
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	Young Generations	67-70
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Commitment to Our Clients	47
GRI 419: Socioeconomic Compliance			
419-1	Non—compliance with laws and regulations in the social and economic area	Corporate Governance	43

www.salcon.com.my

SALCON BERHAD [200201026133 (593796-T)]
15th Floor, Menara Summit, Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya, Selangor Darul Ehsan
Malaysia

Postal Address
P.O.Box 3015, 47509 UEP Subang Jaya
Selangor Darul Ehsan, Malaysia

Tel : 603 8024 8822 | Fax : 603 8024 8811