



**SALCON BERHAD** (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT 31 MARCH 2021 - UNAUDITED**

	<b>31/03/2021 RM'000</b>	31/12/2020 RM'000
<b>Assets</b>		
Property, plant and equipment	<b>37,248</b>	17,891
Intangible assets	<b>42,989</b>	23,740
Right-of-use assets	<b>10,567</b>	11,192
Investment properties	<b>10,230</b>	9,924
Investment in associate	<b>17,433</b>	17,341
Investment in joint ventures	<b>29,551</b>	29,415
Other investments	<b>8,970</b>	8,932
Deferred tax assets	<b>3,688</b>	3,688
Trade and other receivables	<b>12,291</b>	12,130
<b>Total non-current assets</b>	<b>172,967</b>	134,253
Trade and other receivables, including derivatives	<b>125,119</b>	129,846
Contract assets	<b>64,490</b>	65,288
Inventories	<b>118,360</b>	110,096
Other investment	<b>9,447</b>	9,404
Current tax assets	<b>2,788</b>	2,524
Cash and cash equivalents	<b>125,035</b>	142,836
<b>Total current assets</b>	<b>445,239</b>	459,994
<b>Total assets</b>	<b>618,206</b>	594,247
<b>Equity</b>		
Share capital	<b>458,276</b>	458,276
Reserves	<b>4,739</b>	4,023
Accumulated losses	<b>(17,586)</b>	(16,785)
<b>Total equity attributable to owners of the Company</b>	<b>445,429</b>	445,514
<b>Non-controlling interests</b>	<b>33,733</b>	22,249
<b>Total equity</b>	<b>479,162</b>	467,763
<b>Liabilities</b>		
Loans and borrowings	<b>16,754</b>	5,057
Lease liabilities	<b>1,251</b>	1,507
Deferred tax liabilities	<b>6,752</b>	5,818
<b>Total non-current liabilities</b>	<b>24,757</b>	12,382
Trade and other payables, including derivatives	<b>82,370</b>	77,358
Contract liabilities	<b>7,663</b>	7,174
Lease liabilities	<b>1,282</b>	1,311
Loans and borrowings	<b>21,879</b>	27,008
Current tax liabilities	<b>1,093</b>	1,251
<b>Total current liabilities</b>	<b>114,287</b>	114,102
<b>Total liabilities</b>	<b>139,044</b>	126,484
<b>Total equity and liabilities</b>	<b>618,206</b>	594,247
Net assets per share (RM)	<b>0.44</b>	0.44

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2021 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
<b>Revenue</b>	<b>42,306</b>	47,821	<b>42,306</b>	47,821
Cost of sales	<b>(35,228)</b>	(40,218)	<b>(35,228)</b>	(40,218)
<b>Gross Profit</b>	<b>7,078</b>	7,603	<b>7,078</b>	7,603
Other income	<b>2,968</b>	3,573	<b>2,968</b>	3,573
Other expenses	<b>(1,483)</b>	(1,699)	<b>(1,483)</b>	(1,699)
Distribution expenses	<b>(186)</b>	(540)	<b>(186)</b>	(540)
Administrative expenses	<b>(7,845)</b>	(13,537)	<b>(7,845)</b>	(13,537)
<b>Profit/(Loss) from operating activities</b>	<b>532</b>	(4,600)	<b>532</b>	(4,600)
Finance costs	<b>(757)</b>	(562)	<b>(757)</b>	(562)
Finance income	<b>365</b>	575	<b>365</b>	575
Share of profit/(loss) of equity-accounted associate/ joint ventures, net of tax	<b>228</b>	365	<b>228</b>	365
<b>Profit/(Loss) before tax</b>	<b>368</b>	(4,222)	<b>368</b>	(4,222)
Tax expense	<b>(538)</b>	(875)	<b>(538)</b>	(875)
<b>Profit/(Loss) for the period</b>	<b>(170)</b>	(5,097)	<b>(170)</b>	(5,097)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	<b>(801)</b>	(6,355)	<b>(801)</b>	(6,355)
Non-controlling interests	<b>631</b>	1,258	<b>631</b>	1,258
<b>Profit/(Loss) for the period</b>	<b>(170)</b>	(5,097)	<b>(170)</b>	(5,097)
Basic (loss)/earnings per ordinary share (sen)	<b>(0.08)</b>	(0.79)	<b>(0.08)</b>	(0.79)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2021 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/03/2021 RM'000</b>	31/03/2020 RM'000	<b>31/03/2021 RM'000</b>	31/03/2020 RM'000
<b>Profit/(Loss) for the period</b>	<b>(170)</b>	(5,097)	<b>(170)</b>	(5,097)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>1,596</b>	3,582	<b>1,596</b>	3,582
<b>Total other comprehensive income/(expense)</b>	<b>1,596</b>	3,582	<b>1,596</b>	3,582
<b>Total comprehensive income/(expense) for the period</b>	<b>1,426</b>	(1,515)	<b>1,426</b>	(1,515)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>795</b>	(2,716)	<b>795</b>	(2,716)
Non-controlling interests	<b>631</b>	1,201	<b>631</b>	1,201
<b>Total comprehensive income/(expense) for the period</b>	<b>1,426</b>	(1,515)	<b>1,426</b>	(1,515)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST QUARTER ENDED 31 MARCH 2021 – UNAUDITED**

	← Attributable to Owners of the Company →				Total	Non- controlling interests	Total equity
	← Non – distributable →		Distributable				
	Share capital	Translation reserve	Treasury shares	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2020</b>	424,465	7,017	(4,400)	1,154	428,236	20,989	449,225
Total comprehensive income for the period	-	3,639	-	(6,355)	(2,716)	1,201	(1,515)
Own shares acquired	-	-	(4,755)	-	(4,755)	-	(4,755)
<b>At 31 March 2020</b>	<b>424,465</b>	<b>10,656</b>	<b>(9,155)</b>	<b>(5,201)</b>	<b>420,765</b>	<b>22,190</b>	<b>442,955</b>
<b>At 1 January 2021</b>	458,276	7,372	(3,349)	(16,785)	445,514	22,249	467,763
Total comprehensive income for the period	-	1,596	-	(801)	795	631	1,426
Own shares acquired	-	-	(880)	-	(880)	-	(880)
Acquisition of subsidiaries	-	-	-	-	-	10,771	10,771
Issuance of shares to non-controlling interests	-	-	-	-	-	82	82
<b>At 31 March 2021</b>	<b>458,276</b>	<b>8,968</b>	<b>(4,229)</b>	<b>(17,586)</b>	<b>445,429</b>	<b>33,733</b>	<b>479,162</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



**SALCON BERHAD** (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2021 - UNAUDITED**

	<b>3 months Ended 31/0/2021 RM'000</b>	3 months Ended 31/03/2020 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax	368	(4,222)
Adjustments for :		
- Non-cash items	(97)	4,533
- Non-operating items	392	(14)
Operating loss before changes in working capital	<u>663</u>	297
Changes in working capital	12,550	(2,540)
Cash generated from/(used in) operations	<u>13,213</u>	(2,243)
Interest paid	(160)	-
Income taxes paid	(755)	(1,002)
<b>Net cash from/(used in) operating activities</b>	<u>12,298</u>	<u>(3,245)</u>
<b><u>Cash flows from investing activities</u></b>		
- Proceeds from disposal of property, plant and equipment	57	64
- Proceeds from disposal of right-of-use assets	35	-
- Proceeds from disposal of other investments	1,884	-
- Proceeds from disposal of investment properties	-	1,416
- Acquisition of other investments	(3,101)	(4,987)
- Acquisition of property, plant and equipment	(4,016)	(87)
- Acquisition of subsidiaries, net of cash acquired	(20,226)	-
- Dividends received - Other investments	6	-
- Interest received	365	575
<b>Net cash from/(used in) investing activities</b>	<u>(24,996)</u>	<u>(3,019)</u>
<b><u>Cash flows from financing activities</u></b>		
- Repurchase of treasury shares	(880)	(4,755)
- Drawdown from borrowings	3,496	9,708
- Interest paid	(597)	(562)
- Repayment of borrowings	(8,282)	(279)
- Repayment of lease liabilities	(284)	(223)
- Repayment of finance lease liabilities	(788)	(587)
<b>Net cash from/(used in) financing activities</b>	<u>(7,335)</u>	<u>3,302</u>
Net increase/(decrease) in cash and cash equivalents	(20,033)	(2,962)
Cash and cash equivalents at beginning of period	142,076	120,118
Exchange differences on translation of the financial statements of foreign entities	1,263	3,680
<b>Cash and cash equivalents at end of period</b>	<u>123,306</u>	<u>120,836</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2021 – UNAUDITED**

The cash and cash equivalents comprise the following balance sheet amounts:

	<b>3 months Ended 31/03/2021 RM'000</b>	<b>3 months Ended 31/03/2020 RM'000</b>
Cash and bank balances	<b>91,666</b>	42,519
Deposits placed with licensed banks	<b>33,369</b>	79,543
	<b>125,035</b>	122,062
Bank overdrafts	<b>(1,699)</b>	(1,196)
Pledged deposits	<b>(30)</b>	(30)
	<b>123,306</b>	120,836

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2021**

**(i) EXPLANATORY NOTES PURSUANT TO MFRS 134 – Interim Financial Reporting**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 – *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It also complies with IAS 34 – *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and with the explanatory notes attached herein. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last audited financial statements for year ended 31 December 2020. The audited financial statements of the Group as at and for the year ended 31 December 2020 were prepared under Malaysian Financial Reporting Standards (MFRSs).

**1.1 Significant Accounting Policies**

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2020 except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC Interpretations by the Group with effect from 1 January 2021.

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

- *Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts\* and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- *Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

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

- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)\**
- *Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework*
- *Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- *Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020)*
- *Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use*
- *Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*



- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*\*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023***

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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

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

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

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except for those marked with “\*” which is not applicable to the Group.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for those marked with “\*” which is not applicable to the Group.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group.

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

## **2. Preceding Annual Financial Statement**

The audit report of the Group’s annual financial statements prepared under MFRSs for the year ended 31 December 2020 was not subject to any qualification.

## **3. Seasonal or Cyclical Factors**

The principal activities of the Group are not subject to any seasonal or cyclical changes.





**4. Unusual Items that Affect the Financial Statements**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the quarter ended 31 March 2021.

**5. Material Changes in Estimates**

There were no changes in the estimates of amounts reported in prior financial years that have a material effect in the current interim period.

**6. Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter ended 31 March 2021 other than:

a) Share buy-back

The Company repurchased 3,875,900 ordinary shares of its issued share capital from the open market, at an average costs of RM0.23 per share. The total consideration paid for the share buy-back including transaction costs during the current financial quarter and financial period to date amounted to RM880,000 and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

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## 7. Segmental Reporting

The segmental revenue and results of the Group for the quarter ended 31 March 2021 are as follows:-

	<b>Constructions RM'000</b>	<b>Trading &amp; Services RM'000</b>	<b>Property Development RM'000</b>	<b>Consolidated RM'000</b>
<b>Segment profit</b>	(1,217)	3,131	(681)	1,233
<i>Included in the measure of segment profit are:</i>				
Revenue from external customers	22,534	18,022	1,750	42,306
Share of profit of associate	-	92	-	92
Share of profit of joint venture	(315)	451	-	136
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>				
Depreciation and amortization	(322)	(598)	(57)	(977)
Finance costs	(143)	(317)	(297)	(757)
Finance income	365	-	-	365
Income tax expense	(62)	(463)	(13)	(538)
<b>Segment assets</b>	353,354	154,725	110,127	618,206
<i>Included in the measure of segment assets are:</i>				
Investment in associate	-	17,433	-	17,433
Investment in joint venture	11,653	17,898	-	29,551
Additions to non-current assets other than financial instruments and deferred tax assets	8	4,008	-	4,016



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

	<b>RM'000</b>
<b>Profit</b>	
Total profit or loss for reportable segments	1,233
Depreciation and amortisation	(977)
Finance costs	(757)
Finance income	365
Unrealised/ realised foreign exchange gain/(loss)	2,202
Unallocated expenses:	
Corporate expenses	(1,698)
Consolidated profit/(loss) before tax	<u>368</u>

**8. Valuations of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment during the quarter ended 31 March 2021. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

**9. Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the end of the interim period up to 20 May 2021 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report), that have not been reflected in the financial statement for the interim period.

**10. Effect of Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the followings: -

- (i) On 12 November 2020, Nusantara Jasakita Sdn Bhd, a 90.00%-owned subsidiary of Salcon ("NJSB"), had entered into a share sale agreement with Ganesan A/L Subramaniam to acquire 1,020,000 ordinary shares in JR Engineering and Medical Technologies (M) Sdn Bhd ("JREMT"), representing 51.00% equity interest therein, for a cash consideration of RM28.56 million. The acquisition was completed on 12 March 2021. JREMT is principally involved in the business of manufacturing and trading of latex, nitrile and medical gloves, and provision of turnkey advisory and consultancy services for rubber glove players.

Subsequently on 10 May 2021, Salcon completed the acquisition for the remaining 10.00% equity interest in NJSB. As such, NJSB has become a wholly-owned subsidiary of Salcon.

**11. Changes in Contingent Liabilities/Contingent Assets**

The contingent liabilities as at financial period ended 31 March 2021 are as follows:-

	<b>RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	49,042



**12. Net assets (NA) per share**

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	445,429
No. of shares	<u>1,012,413</u>
NA per share (RM)	<u>0.44</u>



**B. ADDITIONAL DISCLOSURE PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**

**1. Taxation**

The breakdown of tax charge is as follows:-

	Current Quarter Ended 31/03/2021 RM'000	Cumulative Quarter To-date 31/03/2021 RM'000
Continuing operations		
Malaysian - current period	761	761
- prior years	(223)	(223)
	538	538

The Group's higher effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) in the cumulative quarter to-date is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

**2. Status of Corporate Proposals**

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

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

The status of the utilisation of the proceeds as at 20 May 2021 arising from the private placement is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated Timeframe for Utilisation	Deviation		Explanation
				RM'000	%	
Business expansion/ Future investments	21,827	(28,560)	Within 24 months	(6,733)	(30)	Completed
Working capital	11,834	(5,101)	Within 12 months	6,733	57	Completed



**SALCON BERHAD** (Company No: 593796-T)

Estimated expenses in relation to the Private Placement	150	(150)	Within 6 months	Nil	Nil	Completed
Total	33,811	(33,811)		-	-	-

**3. Group Borrowings and Debt Securities**

Total Group borrowings as at 31 March 2021 are as follows:

	As at 1st quarter ended 2021		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Term loans	13,067	179	13,246
Finance lease liabilities	3,687	2,420	6,107
<b>Unsecured</b>			
Term loans	-	9,687	9,687
Bankers' Acceptance	-	7,894	7,894
Bank overdrafts	-	1,699	1,699
	16,754	21,879	38,633

	As at 1st quarter ended 2020		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Term loans	2,921	181	3,102
Finance lease liabilities	2,990	1,468	4,458
<b>Unsecured</b>			
Term loans	-	7,751	7,751
Revolving credits	-	7,000	7,000
Bankers' Acceptance	-	9,437	9,437
Bank overdrafts	-	1,196	1,196
	5,911	27,003	32,944

For the year to-date financial quarter under review, the Group has recorded borrowings of RM38.63 million as compared to RM32.94 million for corresponding period in the immediate preceding year. The increase in the borrowings was substantially attributed by the acquisition of a subsidiary with borrowings amounting to RM10.21 million.

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



#### 4. Changes in Material Litigation

There was no material update as at 20 May 2021 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:-

**(i) Notice to Commence Arbitration Proceedings by Salcon MMCB AZSB JV Sdn Bhd Against Pengurusan Aset Air Berhad**

Salcon MMCB AZSB JV Sdn Bhd [201401011967 (1088044-T)] (“SMAJV”), had on 26 August 2020 issued a notice to commence arbitration proceedings (“Arbitration Notice”) against Pengurusan Aset Air Berhad (“PAAB”).

Pursuant to the Arbitration Notice, SMAJV claims a sum of RM85,912,482.14 against PAAB for, among others, loss and expense claims, claims for works done under variation orders, release of retention sum and unilateral deduction by PAAB on payments due to SMAJV as at the date of the Arbitration Notice, subject to further quantification of further losses suffered by SMAJV (collectively referred to as “Claims”). The Claims relate to works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur.

The arbitration proceedings commenced by SMAJV is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2020. The arbitration proceedings is also not expected to have material operational impact on Salcon Group.

None of the directors and/or major shareholders of the Company, or persons connected with them have any interest, direct or indirect, in the aforesaid proceedings.

SMAJV had, on 25 September 2020, been informed by its solicitors that PAAB had served its Response to SMAJV’s Arbitration Notice dated 26 August 2020 (“Response to Arbitration Notice”).

Under the Response to Arbitration Notice, PAAB counterclaims a sum of RM63,030,664.84 against SMAJV for alleged breaches relating to the works performed by SMAJV in respect of the development of the Langat 2 Water Treatment Plant and Water Reticulation System in Selangor Darul Ehsan/Wilayah Persekutuan Kuala Lumpur (collectively referred to as “PAAB’s Counterclaim”).

PAAB’s Counterclaim is not expected to have any material effect on the earnings, net assets and gearing of Salcon Group for the financial year ending 31 December 2020. PAAB’s Counterclaim is also not expected to have material operational impact on Salcon Group. There is no liability to Salcon Berhad group of companies arising from PAAB’s Counterclaim as any amount awarded to PAAB (if any) would be borne by SMAJV and neither Salcon Berhad nor Salcon Engineering Berhad had given any corporate guarantee to SMAJV. SMAJV is a separate legal entity and the liability (if any) is limited to the issued share capital of the company.

However, under the perspective of equity accounting, Salcon Berhad will have to book in the losses to be incurred by SMAJV (if any) arising from the Counterclaim in accordance to its shareholding proportionately. The estimated losses to be incurred by SMAJV (if any) arising from the Counterclaim based on the shareholding of Salcon Engineering Berhad in SMAJV would be RM5,510,701. However, the actual amount payable (if any) would be subject to the outcome of arbitration proceeding.



**5. Material Changes in the Results of the Current Quarter compared to that of the Preceding Quarter**

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/03/2021	31/12/2020	
Revenue	42,306	61,582	-31%
Operating Profit/(Loss)	532	(730)	173%
Profit/(Loss) Before Interest and Tax	1,125	(16)	7,131%
Profit/(Loss) Before Tax	368	(608)	161%
Profit/(Loss) For The Period	(170)	(883)	81%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(801)	171	-568%

For the current financial quarter, the Group revenue decreased from RM61.58 million to RM42.31 million by 31% and has recorded a profit before tax of RM368,000 as compared to loss before tax of RM608,000 in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 59%, a decrease from RM55.15 million to RM22.53 million as compared to the immediate preceding quarter. The Division recorded loss before tax of RM192,000 in the current financial quarter as compared to loss before tax of RM3.48 million in the immediate preceding quarter due to lower operating expenses in the current financial quarter.

In the Property Development Division, it recorded a higher loss before tax of RM1.04 million in the current financial quarter as compared to loss before tax of RM893,000 in the immediate preceding quarter due to lower gross profit margin in the current financial quarter.

For the Trading and Services Division, revenue increased from RM3.82 million to RM18.02 million by 372%. The Division recorded profit before tax of RM2.15 million in the current financial quarter as compared to loss before tax of RM2.22 million in the immediate preceding quarter. This Division has improved significantly in term of revenue and profit due to contributions from the newly acquired glove manufacturing subsidiary

**6. Review of Performance of the Company and its Principal Subsidiaries**

	Individual Period (1st Quarter)		Changes %	3 Months Ended		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	31/03/2021	31/03/2020		31/03/2021	31/03/2020	
Revenue	42,306	47,821	-12%	42,306	47,821	-12%
Operating Profit/(Loss)	532	(4,600)	112%	532	(4,600)	112%
Profit/(Loss) Before Interest and Tax	1,125	(3,660)	131%	1,125	(3,660)	131%
Profit/(Loss) Before Tax	368	(4,222)	109%	368	(4,222)	109%





**SALCON BERHAD** (Company No: 593796-T)

Profit/(Loss) For The Period	(170)	(5,097)	97%	(170)	(5,097)	97%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(801)	(6,355)	87%	(801)	(6,355)	87%

For the current financial quarter under review, the Group achieved lower revenue amounting to RM42.31 million as compared to RM47.82 million for the same period in the preceding year or a decrease of 12%. Profit before taxation of RM368,000 was recorded in the current financial quarter as compared to loss before tax of RM4.22 million for the same period in the preceding year substantially attributed by the unrealised loss on foreign exchange in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 43% as compared to the same period in the preceding year. The Division recorded a loss before tax of RM192,000 million in the current financial quarter as compared to profit before tax of RM2.86 million for the same period in the preceding year due to higher valuation of investment in shares, dividend income received and gain from disposal of investment properties in the preceding year.

The Property Development Division has recorded a loss before tax of RM1.04 million in the current financial quarter as compared to loss before tax of RM460,000 for the same period in the preceding year due to lower gross profit margin in the current financial quarter.

In the Trading and Services Division, revenue increased from RM4.07 million to RM18.02 million by 343% as compared to the same period in the preceding year. The Division recorded a profit before tax of RM2.15 million in the current financial quarter as compared to loss before tax of RM509,000 for the same period in the preceding year due to contributions from the newly acquired glove manufacturing subsidiary in the current financial quarter.

## 7. Prospects

The Group's Healthcare Services division via JR Engineering and Medical Technologies (M) Sdn Bhd (JR) contributed to the Group's improved financial performance in the first quarter of 2021. The acquisition of JR was completed on 12 March 2021 and comes with a Profit Guarantee of RM 10 million per annum in JR for the financial year 1 January to 31 December for years ending 2021, 2022 and 2023.

According to Malaysian Rubber Glove Manufacturers Association (MARGMA), demand for medical gloves is expected to grow at unprecedented rates this year. MARGMA's projections for 2021 indicate a growth rate of 15-20 percent, with global demand set to hit 420 billion glove pieces by year-end, due to the still climbing number of community-spread cases and discovery of new, more infectious strains of the virus. The demand is not expected to be impacted even as more countries ramp up their vaccination programmes because examination gloves are needed to inject vaccines.

As such, the Group is targeting to increase and ramp up production capacity by setting up a new plant with an additional 10 lines by first quarter of 2022. Once completed, this will bring the total production capacity of the Group to 3 billion gloves per annum.

## 8. Variance of Profit Forecast / Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.



**9. Financial instruments - derivatives**

As at 31 March 2021, the Group has no outstanding foreign currency forward contracts under derivative financial instruments.

**10. Earnings Per Share**

The basic and diluted earnings per share have been calculated based on the consolidated net profit attributable to equity holders of the parent for the period and the weighted average number of ordinary shares outstanding during the period as follows:

**Basic earnings per share**

	Current Quarter Ended 31/03/2021	Comparative Quarter Ended 31/03/2020	Cumulative Quarter To-date	
			31/03/2021	31/03/2020
Profit/(Loss) attributable to equity holders of the parent (RM'000)	(801)	(6,355)	(801)	(6,355)
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	<u>992,227</u>	<u>819,925</u>	<u>992,227</u>	<u>819,925</u>
Effect of shares repurchased during the period ('000)	(2,009)	(10,695)	(2,009)	(10,695)
Weighted average number of ordinary shares ('000)	<u>990,218</u>	<u>809,230</u>	<u>990,218</u>	<u>809,230</u>
Basic (loss)/earnings per share (sen)	(0.08)	(0.79)	(0.08)	(0.79)

**11. Notes to the Condensed Consolidated Statement of Comprehensive Income**

Profit before tax arrived at after (charging)/crediting the followings items:

	Current Quarter Ended 31/03/2021 RM'000	Cumulative Quarter Ended 31/03/2021 RM'000
Net realised foreign exchange gain/(loss)	8	8
Net unrealised foreign exchange gain/(loss)	2,194	2,194
Depreciation and amortization	(977)	(977)
	<u>1,225</u>	<u>1,225</u>



**SALCON BERHAD** (Company No: 593796-T)

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**Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 May 2021.

**ON BEHALF OF THE BOARD**

**TAN SRI DATO' TEE TIAM LEE**  
**Executive Deputy Chairman**

Selangor Darul Ehsan  
27 May 2021