



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2014 - UNAUDITED**

| | 31/12/2014 RM'000 | 31/12/2013 RM'000 |
|---|------------------------------------|----------------------|
| Assets | | |
| Property, plant and equipment | 76,479 | 83,112 |
| Intangible assets | 31,444 | 3,683 |
| Investment properties | 8,446 | 8,446 |
| Investment in associate | 27,674 | 27,850 |
| Deferred tax assets | 5,673 | 5,673 |
| Total non-current assets | 149,716 | 128,764 |
| Trade and other receivables, including derivatives | 212,034 | 242,581 |
| Inventories | 146,129 | 26,067 |
| Current tax assets | 1,310 | 1,037 |
| Assets classified as held for sale | 141,530 | 660,733 |
| Cash and cash equivalents | 302,711 | 147,398 |
| Total current assets | 803,714 | 1,077,816 |
| Total assets | 953,430 | 1,206,580 |
| Equity | | |
| Share capital | 337,320 | 304,152 |
| Reserves | 163,103 | 103,025 |
| Retained earnings | 55,109 | 99,242 |
| Total equity attributable to owners of the Company | 555,532 | 506,419 |
| Non-controlling interests | 98,781 | 213,937 |
| Total equity | 654,313 | 720,356 |
| Liabilities | | |
| Loans and borrowings | 85,415 | 20,917 |
| Deferred tax liabilities | 4,555 | 4,209 |
| Total non-current liabilities | 89,970 | 25,126 |
| Trade and other payables, including derivatives | 122,537 | 167,505 |
| Loans and borrowings | 13,595 | 10,374 |
| Current tax liabilities | 1,736 | 1,215 |
| Liabilities classified as held for sale | 71,279 | 282,004 |
| Total current liabilities | 209,147 | 461,098 |
| Total liabilities | 299,117 | 486,224 |
| Total equity and liabilities | 953,430 | 1,206,580 |
| Net assets per share (RM) | 0.82 | 0.83 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2014 - UNAUDITED**

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------------------|--|------------------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year Todate | Preceding Year Corresponding Period |
| | 31/12/2014 RM'000 | 31/12/2013 RM'000 | 31/12/2014 RM'000 | 31/12/2013 RM'000 |
| Continuing operations | | | | |
| Revenue | 107,379 | 85,944 | 201,917 | 164,612 |
| Cost of sales | (98,283) | (82,580) | (175,530) | (142,386) |
| Gross Profit | 9,096 | 3,364 | 26,387 | 22,226 |
| Other income | 8,674 | 6,907 | 9,086 | 7,714 |
| Other expenses | - | (3,166) | - | (3,166) |
| Tendering and distribution costs | (921) | (1,638) | (3,304) | (3,355) |
| Administrative expenses | (14,508) | (24,996) | (41,183) | (51,254) |
| Profit/(Loss) from operations | 2,341 | (19,529) | (9,014) | (27,835) |
| Interest expense | (10) | (2,043) | (1,295) | (7,281) |
| Interest income | 4,295 | 99 | 8,499 | 1,187 |
| Share of profit after tax and minority interest of associates | 860 | 861 | 3,368 | 3,173 |
| Profit/(Loss) before tax | 7,486 | (20,612) | 1,558 | (30,756) |
| Taxation | (1,538) | 2,928 | (3,734) | 1,077 |
| Profit from continuing operations | 5,948 | (17,684) | (2,176) | (29,679) |
| Discontinued operations | | | | |
| Profit from discontinued operations | 7,233 | 50,730 | 38,641 | 87,256 |
| Profit for the period | 13,181 | 33,046 | 36,465 | 57,577 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Company | (5,387) | 20,616 | 4,514 | 24,944 |
| Non-controlling interests | 18,568 | 12,430 | 31,951 | 32,633 |
| Profit for the period | 13,181 | 33,046 | 36,465 | 57,577 |
| Basic (loss)/earnings per ordinary share (sen) | | | | |
| - from continuing operations | (6.32) | (2.84) | (8.16) | (5.79) |
| - from discontinued operations | 5.52 | 6.24 | 8.86 | 10.29 |
| Total | (0.80) | 3.40 | 0.70 | 4.50 |
| Diluted (loss)/earnings per ordinary share (sen) | | | | |
| - from continuing operations | (6.30) | (2.76) | (8.13) | (5.62) |
| - from discontinued operations | 5.50 | 6.07 | 8.83 | 9.99 |
| Total | (0.80) | 3.31 | 0.70 | 4.37 |

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2014 - UNAUDITED**

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------------------|--|------------------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year ToDate | Preceding Year Corresponding Period |
| | 31/12/2014 RM'000 | 31/12/2013 RM'000 | 31/12/2014 RM'000 | 31/12/2013 RM'000 |
| Profit for the period | 13,181 | 33,046 | 36,465 | 57,577 |
| Items that are or may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation differences for foreign operations | 10,537 | (9,161) | (17,711) | 38,510 |
| Total other comprehensive income/(expense) | 10,537 | (9,161) | (17,711) | 38,510 |
| Total comprehensive income for the period | 23,718 | 23,885 | 18,754 | 96,087 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 11,731 | 8,132 | (7,485) | 42,164 |
| Non-controlling interests | 11,987 | 15,753 | 26,239 | 53,923 |
| Total comprehensive income for the period | 23,718 | 23,885 | 18,754 | 96,087 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2014 – UNAUDITED**

| | ← Attributable to Owners of the Company → | | | | | | | | → | | |
|--|---|---------------|-----------------|---------------------|----------------------|-----------------|-----------------|-------------------|----------------|----------------|----------------|
| | ← Non – distributable | | | | → Distributable | | | | | | |
| | Share capital | Share premium | Warrant reserve | Translation reserve | Share option reserve | Capital reserve | Treasure shares | Retained earnings | | | |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| At 1 January 2013 | 260,869 | 36,627 | 22,150 | 13,309 | 3,909 | - | - | 79,691 | 416,555 | 225,490 | 642,045 |
| Total comprehensive income | | | | | | | | | | | |
| for the period | - | - | - | 17,220 | - | - | - | 24,944 | 42,164 | 53,923 | 96,087 |
| Share option exercised | 16,270 | 551 | - | - | - | - | - | - | 16,821 | - | 16,821 |
| Share-based payment transactions | - | - | - | - | 4,667 | - | - | - | 4,667 | - | 4,667 |
| Transfer to share premium | | | | | | | | | | | |
| for share options exercised | - | 5,185 | - | - | (5,185) | - | - | - | - | - | - |
| Issuance of shares - private placement | 27,013 | 4,592 | - | - | - | - | - | - | 31,605 | - | 31,605 |
| Issuance of shares to | | | | | | | | | | | |
| non-controlling interests | - | - | - | - | - | - | - | - | - | 6,493 | 6,493 |
| Change in ownership interest | | | | | | | | | | | |
| in a subsidiary | - | - | - | - | - | - | - | - | - | (39,228) | (39,228) |
| Disposal of interest in subsidiaries | - | - | - | - | - | - | - | - | - | (32,079) | (32,079) |
| Dividends to shareholders | - | - | - | - | - | - | - | (5,393) | (5,393) | - | (5,393) |
| Dividends to minority interest | - | - | - | - | - | - | - | - | - | (662) | (662) |
| At 31 December 2013 | 304,152 | 46,955 | 22,150 | 30,529 | 3,391 | - | - | 99,242 | 506,419 | 213,937 | 720,356 |
| At 1 January 2014 | 304,152 | 46,955 | 22,150 | 30,529 | 3,391 | - | - | 99,242 | 506,419 | 213,937 | 720,356 |
| Total comprehensive income | | | | | | | | | | | |
| for the period | - | - | - | (11,999) | - | - | - | 4,514 | (7,485) | 26,239 | 18,754 |
| Own shares acquired | - | - | - | - | - | - | (4,034) | - | (4,034) | - | (4,034) |
| Share-based payment transactions | - | - | - | - | 162 | - | - | - | 162 | - | 162 |
| Issuance of shares | | | | | | | | | | | |
| - exercise of Warrants 2007/2014 | 24,605 | 34,452 | (22,150) | - | - | - | - | - | 36,907 | - | 36,907 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | 9,280 | 9,280 |
| Issuance of shares to | | | | | | | | | | | |
| non-controlling interests | - | - | - | - | - | - | - | - | - | (20) | (20) |
| Disposal of interest in subsidiaries | - | - | - | - | - | - | - | - | - | (105,899) | (105,899) |
| Government grants received during the year | - | - | - | - | - | 35,856 | - | - | 35,856 | - | 35,856 |
| Government grants transferred from retained earnings | - | - | - | - | - | 27,332 | - | (28,417) | (1,085) | - | (1,085) |
| Share option exercised | 8,563 | 3,530 | - | - | (3,071) | - | - | - | 9,022 | - | 9,022 |
| Dividends to shareholders | - | - | - | - | - | - | - | (20,230) | (20,230) | - | (20,230) |
| Dividends to minority interest | - | - | - | - | - | - | - | - | - | (44,756) | (44,756) |
| At 31 December 2014 | 337,320 | 84,937 | - | 18,530 | 482 | 63,188 | (4,034) | 55,109 | 555,532 | 98,781 | 654,313 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2014 – UNAUDITED**

| | 12 months Ended 31/12/2014 RM'000 | 12 months Ended 31/12/2013 RM'000 |
|--|--|--|
| <u>Cash flows from operating activities</u> | | |
| Profit/(Loss) before tax from: | | |
| - continuing operations | 1,558 | (30,756) |
| - discontinued operations | 38,913 | 96,326 |
| | 40,471 | 65,570 |
| Adjustments for : | | |
| - Non-cash items | (66,763) | (18,258) |
| - Non-operating items | (7,024) | 3,395 |
| Operating profit before changes in working capital | (33,316) | 50,707 |
| Changes in working capital | (119,834) | (60,036) |
| Cash used in operations | (153,150) | (9,329) |
| Income taxes paid | (3,982) | (10,981) |
| Interest paid | (1,538) | (21,037) |
| Net cash used in operating activities | (158,670) | (41,347) |
| <u>Cash flows from investing activities</u> | | |
| - Proceeds from disposal of property, plant and equipment | 95 | 2,876 |
| - Acquisition of property, plant and equipment | (3,855) | (5,878) |
| - Acquisition of concession intangible assets | - | (24,131) |
| - Acquisition of subsidiary, net of cash acquired | (14,729) | (32,687) |
| - Disposal of discontinued operation | | |
| - Proceeds from disposal, net of cash and cash equivalents | 240,683 | 141,122 |
| - Dividends received from associated company | 3,544 | 3,652 |
| - Release of amount placed with debts service reserve accounts | - | 4,402 |
| - Interest received | 8,562 | - |
| Net cash from investing activities | 234,300 | 89,356 |
| <u>Cash flows from financing activities</u> | | |
| - Net proceeds from issue of shares capital | 45,928 | 48,426 |
| - Purchase of treasury shares | (4,034) | - |
| - Proceeds from issuance of equity shares in subsidiaries to non-controlling interests | 3 | 6,493 |
| - Government grants received | 35,856 | - |
| - Proceeds from bank borrowings | 76,000 | 126,390 |
| - Repayments of bank borrowings | (6,135) | (235,214) |
| - Dividends paid to shareholders of Salcon Berhad | (20,230) | (5,393) |
| - Dividends paid to non-controlling interests | (44,756) | (1,935) |
| - Payment of hire purchase liabilities | (4,426) | (4,634) |
| Net cash from/(used in) financing activities | 78,206 | (65,867) |
| Net increase/(decrease) in cash and cash equivalents | 153,836 | (17,858) |
| Cash and cash equivalents at beginning of period | 146,427 | 110,406 |
| Exchange differences on translation of the financial statements of foreign entities | 1,388 | 53,879 |
| Cash and cash equivalents at end of period | 301,651 | 146,427 |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

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

| | 12 months Ended 31/12/2014 RM'000 | 12 months Ended 31/12/2013 RM'000 |
|-------------------------------------|--|--|
| Cash and bank balances | 104,560 | 114,539 |
| Deposits placed with licensed banks | 198,151 | 32,859 |
| Bank overdrafts | (1,060) | (971) |
| | <u>301,651</u> | <u>146,427</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2014

(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 2013 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 2013. The audited financial statements of the Group as at and for the year ended 31 December 2013 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 2013 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 2014.

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*



- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

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

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for IC Interpretation 21 which is not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

(i) MFRS 9, Financial Instruments

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 132, Financial Instruments: Presentation

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 132.



2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2013 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 cumulative quarter ended 31 December 2014.

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 cumulative quarter ended 31 December 2014 other than:

a) Issuance of ordinary share capital

- (i) Issuance of 17,125,600 new ordinary shares of RM0.50 each pursuant to the exercise of the Employee's Share Option Scheme, and
- (ii) Issuance of 49,209,700 new ordinary shares of RM0.50 each pursuant to the conversion of Warrants 2007/2014 at the subscription price of RM0.75 per share.

b) Share buy-back

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



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7. Dividends Paid

The dividend paid for the cumulative quarter ended 31 December 2014 is as follows:-

| | Cumulative Quarter To-date 31/12/14 RM'000 |
|---|---|
| First and special final single tier dividend of 3.0 sen per share in respect of financial year ended 31 December 2013 was paid on 8 August 2014 | 20,230 |

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2014 are as follows:-

| | Total | | | | | | Consolidated RM'000 |
|--|-------------------------|-----------------------|------------------|-----------------------------------|------------------------------------|--------------------------------------|------------------------|
| | Constructions RM'000 | Concessions RM'000 | Others RM'000 | Property Development RM'000 | Continuing Operations RM'000 | Discontinued Operations RM'000 | |
| Revenue from external customers | 184,994 | 1,203 | 15,720 | - | 201,917 | 70,721 | 272,638 |
| Share of profit of associate | - | 3,368 | - | - | 3,368 | - | 3,368 |
| Segment profit/(loss) | 714 | 4,549 | (8,387) | (1,205) | (4,329) | 39,638 | 35,309 |
| Depreciation and amortization | (1,088) | - | (141) | (88) | (1,317) | (545) | (1,862) |
| Finance costs | (38) | - | (1,257) | - | (1,295) | (244) | (1,539) |
| Finance income | 2,623 | 5 | 2,999 | 2,872 | 8,499 | 63 | 8,562 |
| Income tax expense | (2,498) | - | (530) | (706) | (3,734) | (271) | (4,005) |
| Profit/(Loss) after tax | (287) | 4,554 | (7,316) | 873 | (2,176) | 38,641 | 36,465 |
| Segment assets | 354,094 | 28,354 | 264,324 | 132,647 | 779,419 | 174,011 | 953,430 |
| <i>Included in the measure of segment assets are:</i> | | | | | | | |
| Investment in associate | - | 27,674 | - | - | 27,674 | - | 27,674 |
| Additions to non-current assets other than financial instruments and deferred tax assets | 373 | - | 4,082 | 30 | 4,485 | 18,837 | 23,322 |

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2014. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.



10. 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 18 February 2015 (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.

11. 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 following:-

- (i) Salcon had on 7th May 2014 subscribed for 200,000 ordinary shares of RM1.00 each in Volksbahn Technologies Sdn Bhd (Company No. 1038873-H) ("VTSB") for a total cash consideration of RM18.5 million, representing approximately 49.9999% of the total issued and paid-up capital of VTSB.

On the even date, Salcon entered into a Share Sale Agreement with Dato' Mohammad Hakim Low Bin Abdullah ("DMHL") to acquire 1 ordinary share of RM1.00 each in VTSB from DMHL for a cash consideration of RM5.0 million.

- (ii) The Board of Directors of Salcon Berhad ("Salcon" or "the Company") wishes to announce that Eagle Metalizing & Coatings Company Sdn Bhd ("EMCC"), a 60% indirect subsidiary of Salcon Engineering Berhad, which in turn is a wholly owned subsidiary of Salcon, had on 19 May 2014 received a Notice of Striking Off pursuant to Section 308(4) of the Companies Act, 1965 from the Companies Commission of Malaysia informing that EMCC has been struck off from the register of the Companies Commission of Malaysia.

EMCC is a dormant company and was incorporated on 13 May 1991. The striking off of EMCC has no material effect on the earnings per share and net assets per share of Salcon Group for the financial year ending 31 December 2014, and the share capital of the Company.

- (iii) Salcon Development Sdn Bhd ("SDSB"), a wholly-owned subsidiary of the Company, had on 11 June 2014 entered into a Share Sale Agreement with Ding Pei Chai ("DPC") for the acquisition of 564,680 ordinary shares of RM1.00 each, representing 40% of the total issued and paid-up share capital of Prestasi Kemas Sdn Bhd ("PKSB") (Company No. 307041-H) from DPC for a total cash consideration of RM7,700,000.00.

SDSB had on 30 September 2014 entered into a Share Sale Agreement with DPC for the acquisition of an additional 423,510 ordinary shares of RM1.00 each, representing 30% of the total issued and paid-up share capital of PKSB from DPC for a total cash consideration of RM5,800,000.00.

PKSB is now a 70% owned subsidiary of SDSB.

12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 31 December 2014 are as follows:-

| | RM'000 |
|---|---------------|
| Bank guarantees given to third parties relating to performance, tenders and advance payment bonds | 104,584 |
| Guarantees given in favour of third parties | <u>10,918</u> |



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13. Net assets (NA) per share

The NA per share is derived as follows:-

| | RM'000 |
|--------------------|----------------|
| Shareholders funds | 555,532 |
| No. of shares | <u>674,640</u> |
| NA per share (RM) | <u>0.82</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 31/12/2014 RM'000 | Cumulative Quarter To-date 31/12/2014 RM'000 |
|----------------------------|---|--|
| Continuing operations | | |
| Malaysian - current period | 1,538 | 4,620 |
| - prior years | - | (886) |
| | 1,538 | 3,734 |

The Group's higher effective tax rate (excluding the results of associates which is equity accounted net of tax) is mainly due to non-eligible of transferring the Group relief to the losses subsidiaries.

2. Status of Corporate Proposals

Salcon Berhad ("Salcon") had on 12 September 2013 entered into the following agreements:

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

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

The Company has obtained shareholders' approval pertaining to the above Proposed Disposals at the EGM held on 27 November 2013.

Salcon and BEWG had on 20 December 2013 by way of exchange of letter agreed to the variation/modification of certain term of the SPA-A ("**Letter-A**"). On the same date, Salcon, Salcon Water and BEWG by way of exchange of letter agreed to the variation/modification of certain term of SPA-B ("**Letter-B**") (hereinafter the Letter-A and Letter-B are collectively referred to as "**Letters**"). The rationale for the Letters is to facilitate the completion of the Proposed Disposals in stages and allow the Company to partially complete the Proposed Disposals ahead of 15 January 2014.

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 which is and Letter-A are deemed to be completed on 23 December 2013.



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The Company and BEWG had on 23 February 2015 mutually agreed to a seventh extension till 25 May 2015 for the fulfillment of the Conditions-B of the SPA-B.

The status of the utilisation of the proceeds as at 18 February 2015 arising from the disposal 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 RM'000 | % | Explanation |
|---|--------------------------------|------------------------------|-------------------------------------|---------------------|----------|---------------|
| Future investments | 230,000 | (34,000) | Within 24 months | Nil | Nil | Not Completed |
| Repayment of borrowings | 97,540 | (97,540) | Within 6 months | Nil | Nil | Completed |
| Distribution to shareholders | 30,000 | (20,230) | Within 12 months | Nil | Nil | Not Completed |
| Working capital | 10,397 | (6,976) | Within 24 months | Nil | Nil | Not Completed |
| Defraying expenses incidental to the Proposed Disposals | 1,437 | (1,501) | Within 3 months | (64) | 4 | Completed |
| Total | 369,374 | (160,247) | | - | - | - |

3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2014 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-------------------------------|----------------------|----------------------|----------------------|
| <u>Long Term Borrowings</u> | | | |
| Term loan | 70,000 | 11,265 | 81,265 |
| Finance lease creditors | 4,150 | - | 4,150 |
| | <u>74,150</u> | <u>11,265</u> | <u>85,415</u> |
| <u>Short Term Borrowings</u> | | | |
| Bank overdrafts | - | 1,060 | 1,060 |
| Term loan | 6,000 | 1,917 | 7,917 |
| Finance lease creditors | 4,618 | - | 4,618 |
| | <u>10,618</u> | <u>2,977</u> | <u>13,595</u> |
| Total Group Borrowings | <u>84,768</u> | <u>14,242</u> | <u>99,010</u> |



Included in the above Group borrowings are the following loans denominated in Chinese Renminbi (RMB) :

| | Foreign currency RMB'000 | Equivalent RM'000 |
|-----------------------------------|-----------------------------|----------------------|
| Long Term Borrowings (Unsecured) | 18,100 | 10,203 |
| Short Term Borrowings (Unsecured) | 3,400 | 1,917 |

4. Changes in Material Litigation

There was no material update as at 18 February 2015 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) other than the following Litigations involving Linyi Salcon Water Co. Ltd (“LSWC”), a 60% owned subsidiary of Salcon Linyi (HK) Ltd, which in turn is a 99.9% owned subsidiary of Salcon Water (Asia) Ltd, which in turn is a 60% owned subsidiary of the Company:-

1. Linyi Water Group Ltd (“the Plaintiff”) Vs LSWC (“the Defendant”) (“Litigation 1”)

On 20 November 2013, the Plaintiff filed a legal claim against the Defendant for a total outstanding consideration amounting to RMB27,445,261 (equivalent to approximately RM14,985,113*), inclusive of an interest of RMB6,406,120 (equivalent to approximately RM3,497,742*) related to the acquisition of assets owned by Linyi Water Supply Co. Ltd.

The Defendant contested that the outstanding consideration was supposed to be RMB11,574,425 (equivalent to approximately RM6,319,636*) without any interest imposed.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court against the Defendant for a judgement sum of RMB10,820,542 (equivalent to approximately RM5,908,016).

The Defendant had on 26 November 2014 filed an appeal to the High Court of Shandong province.

2. Linyi Water Group Ltd (“the Plaintiff”) Vs LSWC (“the Defendant”) (“Litigation 2”)

On 9 December 2013, the Plaintiff filed a legal claim against the Defendant for a total amount of RMB26,694,826 (equivalent to approximately RM14,575,375*), being the rental of the raw water pipelines for the period from 1 January 2006 to 30 November 2013.

The Defendant contested to strike off the legal claim on the ground that there is non-existence of the binding agreement in respect of the rental claimed.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court against the Defendant for a judgement sum of RMB26,694,826 (equivalent to approximately RM14,575,375).

3. LSWC (“the Plaintiff”) Vs Linyi Water Group Ltd (“the Defendant”) (“Litigation 3”)

On 12 January 2014, the Plaintiff filed a legal claim against the Defendant for a total amount of RMB18,325,078 (equivalent to approximately RM10,005,493*) in relation to the retirement benefits paid on behalf of the Defendant in respect of the early retired employees.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court that the legal claim against the Defendant was rejected.



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

For the current financial quarter, the Group revenue increased by 37% and has recorded a profit before tax of RM7.49 million as compared to loss before tax of RM3.03 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was higher by 314% as compared to the immediate preceding quarter due to completion of projects. The Division recorded a profit before tax of RM10.57 million as compared to loss before tax of RM2.99 million in the immediate preceding quarter due to higher gross profit from the completions of various projects and unrealized forex gain.

In the Property Development Division, no revenue was recorded while the Division recorded a profit before tax of RM2.01 million as compared to loss before tax of RM1.57 million in the preceding quarter due to higher interest income.

In the Concessions Division, minimal variances was recorded on the revenue and profit before tax increased marginally by 5% as compared with the immediate preceding quarter.

For the Others Division, revenue increased by 14%. This Division has incurred loss before tax of RM6.27 million as compared to profit before tax of RM409,000 as a result of assets and stocks written off amounting to RM5.31 million in the current financial quarter.

Higher revenue was recorded in the discontinued concessions operations by 357% in the current financial quarter as compared with the immediate preceding quarter due to pipelines installation works. Higher profit before tax was recorded by 5499% due to gain from the disposal of its subsidiaries.

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

For the current financial quarter under review, the Group achieved higher revenue amounting to RM107.38 million as compared to RM85.94 million for the same period in the preceding year or an increase of 25%. Profit before taxation of RM7.49 million was recorded in the current quarter as compared to loss before tax of RM20.61 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 28% as compared to the same period in the preceding year. Higher gross profit due to cost saving from projects and unrealized forex gain had resulted the Division to achieved profit before tax of RM10.57 million as compared to loss before tax of RM14.05 million for the same period in the preceding year.

In the Property Development Division, no revenue was recorded in the current financial quarter and in the immediate preceding quarter. However, the Division recorded profit before tax of RM2.01 million as compared loss before tax of RM1.94 million due to higher interest income in the current financial quarter.

In the Concessions Division, revenue and profit before tax was RM313,000 and RM1.18 million as compared to RM298,000 and RM1.15 million respectively for the same period in the preceding year.

In the Others Division, revenue was lower by 24% as compared to the same period in the preceding year. The Division recorded loss before tax of RM6.27 million as compared to loss before tax of RM4.07 million for the same period in the preceding year due to assets and stocks written off amounting to RM5.31 million in the current financial quarter.

Lower revenue was recorded in the discontinued concessions operations by 37% and profit before tax was RM7.50 million as compared to profit before tax of RM52.62 million due to the disposal of its subsidiaries in the current financial first quarter and in the previous financial year.



For the cumulative quarter to date, the Group recorded revenue of RM201.92 million as compared to RM164.61 million in the corresponding cumulative quarter in the preceding year. Profit before tax of RM1.56 million was recorded in the cumulative quarter to date as compared to loss before tax of RM30.76 million in the corresponding cumulative quarter in the preceding year.

In the Constructions Division, revenue was 25% higher when compared to the corresponding cumulative quarter in the preceding year. Profit before tax of RM2.21 million as compared to loss before tax of RM23.02 million for the same period in the preceding year due to higher operating expenses incurred in the preceding year.

In the Property Development Division, no revenue was recorded in the cumulative quarter to date and in the corresponding cumulative quarter in the preceding year. However, the Division recorded profit before tax of RM1.58 million as compared to loss before tax of RM2.06 million in the corresponding cumulative quarter in the preceding year due to higher interest income in the cumulative quarter to date.

The Concessions Division recorded revenue and profit before tax of RM1.20 million and RM4.55 million as compared to RM1.16 million and RM4.32 million respectively to the corresponding cumulative quarter in the preceding year.

The Others Division recorded revenue of RM15.72 million as compared to RM15.17 million in the corresponding cumulative quarter in the preceding year. The Division recorded a higher loss before tax of RM6.79 million as compared to loss before tax of RM4.94 million for the same period in the preceding year due to assets and stocks written off amounting to RM5.31 million in the cumulative quarter to date.

Lower revenue was recorded in the discontinued concessions operations by 65% due to disposal of its subsidiaries in the current financial first quarter and in the previous financial year and has resulted a lower profit before tax of RM38.91 million or a decreased of 57%.

7. Prospects

The securing of Langat centralised sewage treatment plant project of RM470 million joint venture with Loh & Loh Construction Sdn Bhd is expected to enhance the earnings contribution from the construction segment in 2015 financial year.

The Group is optimistic that its subsidiary, Volksbahn Technologies Sdn Bhd would contribute positively to the Group's earnings for 2015 financial year as the company is finalizing the agreements with few Telcos in tandem with the completion of the fiber optic laying works.

8. Variance of Profit Forecast / Profit Guarantee

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

9. Proposed Dividend

The Board of Directors proposed a first and special final single tier dividend of 3 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2014 for the approval of the shareholders at the Twelfth Annual General Meeting.



10. Financial instruments - derivatives

As at 31 December 2014, the Group has the following outstanding foreign currency forward contracts under derivative financial instruments with the notional value of RM1.01 million:

| Derivatives | Carrying Value RM'000 | Fair Value RM'000 |
|--|--------------------------|----------------------|
| Foreign currency forward contracts – less than one year | (24) | (24) |

11. 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 31/12/2014 | Comparative Quarter Ended 31/12/2013 | Cumulative Quarter To-date | |
|---|---|---|----------------------------------|----------------|
| | | | 31/12/2014 | 31/12/2013 |
| Profit/(Loss) attributable to equity holders of the parent (RM'000) | | | | |
| - continuing operations | (42,632) | (17,177) | (52,883) | (32,068) |
| - discontinued operations | 37,245 | 37,793 | 57,397 | 57,012 |
| | <u>(5,387)</u> | <u>20,616</u> | <u>4,514</u> | <u>24,944</u> |
| <u>Weighted average number of ordinary shares</u> | | | | |
| Issued ordinary shares at beginning of period ('000) | 608,305 | 521,738 | 608,305 | 521,738 |
| Effect of shares issued during the period ('000) | 66,288 | 84,022 | 39,478 | 32,036 |
| Weighted average number of ordinary shares ('000) | <u>674,593</u> | <u>605,760</u> | <u>647,783</u> | <u>553,774</u> |
| Basic (loss)/earnings per share (sen) | | | | |
| - continuing operations | (6.32) | (2.84) | (8.16) | (5.79) |
| - discontinued operations | 5.52 | 6.24 | 8.86 | 10.29 |
| Total | <u>(0.80)</u> | <u>3.40</u> | <u>0.70</u> | <u>4.50</u> |



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Diluted earnings per share

| | Current Quarter Ended 31/12/2014 | Comparative Quarter Ended 31/12/2013 | Cumulative Quarter To-date | |
|---|---|---|----------------------------------|----------------|
| | | | 31/12/2014 | 31/12/2013 |
| Profit/(Loss) attributable to equity holders of the parent (RM'000) | | | | |
| - continuing operations | (42,632) | (17,177) | (52,883) | (32,068) |
| - discontinued operations | 37,245 | 37,793 | 57,397 | 57,012 |
| | <u>(5,387)</u> | <u>20,616</u> | <u>4,514</u> | <u>24,944</u> |
| <u>Weighted average number of ordinary shares (diluted)</u> | | | | |
| Weighted average number of ordinary shares as above ('000) | 674,593 | 605,760 | 647,783 | 553,774 |
| Effect of approved unexercised ESOS ('000) | 2,592 | 16,938 | 2,592 | 16,938 |
| Weighted average number of ordinary shares (diluted) | <u>677,185</u> | <u>622,698</u> | <u>650,375</u> | <u>570,712</u> |
| Diluted (loss)/earnings per share (sen) | | | | |
| - continuing operations | (6.30) | (2.76) | (8.13) | (5.62) |
| - discontinued operations | 5.50 | 6.07 | 8.83 | 9.99 |
| Total | <u>(0.80)</u> | <u>3.31</u> | <u>0.70</u> | <u>4.37</u> |

12. Realised and Unrealised Profits

| | As at 31/12/2014 RM'000 | As at 31/12/2013 RM'000 |
|---|-------------------------------|-------------------------------|
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries: | | |
| - Realised | 133,078 | 157,832 |
| - Unrealised | 8,049 | 7,842 |
| | <u>141,127</u> | <u>165,674</u> |
| Total share of retained profits from associated company: | | |
| - Realised | 5,874 | 6,050 |
| Total share of retained profits from jointly controlled entities: | | |
| - Realised | 2,109 | 1,496 |
| | <u>149,110</u> | <u>173,220</u> |
| Less: Consolidation adjustments | (94,001) | (73,978) |
| Total Group retained earnings as per consolidated accounts | <u>55,109</u> | <u>99,242</u> |



13. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

| | Current Quarter Ended 31/12/2014 RM'000 | Cumulative Quarter To-date 31/12/2014 RM'000 |
|-------------------------------|---|--|
| Foreign Exchange Gain | 7,968 | 8,286 |
| Foreign Exchange Loss | (959) | (2,138) |
| Depreciation and amortization | (365) | (1,317) |
| | <u>6,644</u> | <u>4,831</u> |

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 25 February 2015.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
25 February 2015