



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2015 - UNAUDITED**

	30/06/2015	31/12/2014
	RM'000	RM'000
Assets		
Property, plant and equipment	79,945	73,816
Intangible assets	21,831	21,831
Investment properties	8,446	8,446
Investment in associate	29,447	27,674
Investment in joint ventures	28,664	22,898
Deferred tax assets	5,864	5,864
Total non-current assets	174,197	160,529
Trade and other receivables, including derivatives	177,937	205,991
Inventories	153,191	146,061
Current tax assets	3,430	1,311
Assets classified as held for sale	161,469	142,042
Cash and cash equivalents	263,361	294,453
Total current assets	759,388	789,858
Total assets	933,585	950,387
Equity		
Share capital	338,847	337,320
Reserves	174,497	146,808
Retained earnings	64,779	56,288
Total equity attributable to owners of the Company	578,123	540,416
Non-controlling interests	46,647	101,550
Total equity	624,770	641,966
Liabilities		
Loans and borrowings	82,730	84,951
Deferred tax liabilities	9,054	9,327
Total non-current liabilities	91,784	94,278
Trade and other payables, including derivatives	92,724	113,498
Loans and borrowings	15,267	13,594
Current tax liabilities	2,414	1,702
Liabilities classified as held for sale	106,626	85,349
Total current liabilities	217,031	214,143
Total liabilities	308,815	308,421
Total equity and liabilities	933,585	950,387
Net assets per share (RM)	0.85	0.80

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 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 SECOND QUARTER ENDED 30 JUNE 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Continuing operations				
Revenue	21,892	33,274	43,299	73,696
Cost of sales	(16,923)	(26,926)	(35,608)	(60,062)
Gross Profit	4,969	6,348	7,691	13,634
Other income	4,653	101	17,983	208
Distribution expenses	(708)	(610)	(1,169)	(1,590)
Administrative expenses	(8,842)	(9,789)	(16,489)	(18,301)
Profit/(Loss) from operating activities	72	(3,950)	8,016	(6,049)
Finance costs	(2,627)	(539)	(2,917)	(935)
Finance income	1,517	870	3,295	2,401
Share of profit of equity-accounted associate/ joint ventures, net of tax	4,639	869	5,697	1,684
Profit/(Loss) before tax	3,601	(2,750)	14,091	(2,899)
Tax expense	(1,088)	(1,228)	(1,675)	(2,468)
Profit from continuing operations	2,513	(3,978)	12,416	(5,367)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	(6,366)	(845)	(10,954)	31,554
Profit/(Loss) for the period	(3,853)	(4,823)	1,462	26,187
Profit/(Loss) attributable to:				
Owners of the Company	884	(4,733)	8,491	11,660
Non-controlling interests	(4,737)	(90)	(7,029)	14,527
Profit/(Loss) for the period	(3,853)	(4,823)	1,462	26,187
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	0.47	(0.60)	1.84	(1.14)
- from discontinued operations	(0.34)	(0.15)	(0.58)	3.01
Total	0.13	(0.75)	1.26	1.87
Diluted (loss)/earnings per ordinary share (sen)				
- from continuing operations	0.47	(0.60)	1.84	(1.13)
- from discontinued operations	(0.34)	(0.14)	(0.58)	2.99
Total	0.13	(0.74)	1.26	1.86

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 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 SECOND QUARTER ENDED 30 JUNE 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Profit/(Loss) for the period	(3,853)	(4,823)	1,462	26,187
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	7,460	(7,409)	6,394	(27,039)
Total other comprehensive income/(expense)	7,460	(7,409)	6,394	(27,039)
Total comprehensive income/(expense) for the period	3,607	(12,232)	7,856	(852)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	14,505	(9,322)	22,665	(12,149)
Non-controlling interests	(10,898)	(2,910)	(14,809)	11,297
Total comprehensive income/(expense) for the period	3,607	(12,232)	7,856	(852)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 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 SECOND QUARTER ENDED 30 JUNE 2015 - UNAUDITED**

	Share capital	Share premium	Warrant reserve	Translation reserve	Share option reserve	Capital reserve	Treasure shares	Retained earnings	Total	Non-controlling interests	Total equity
	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 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	-	-	-	(23,809)	-	-	-	11,660	(12,149)	11,297	(852)
Share option exercised	6,194	2,344	-	-	(1,952)	-	-	-	6,586	-	6,586
Share-based payment transactions	-	-	-	-	81	-	-	-	81	-	81
Issuance of shares											
- exercise of Warrants 2007/2014	24,605	34,452	(22,150)	-	-	-	-	-	36,907	-	36,907
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	396	396
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	(575)	(575)	(23)	(598)
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(91,448)	(91,448)
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(289)	(289)
At 30 June 2014	334,951	83,751	-	6,720	1,520	-	-	110,327	537,269	133,870	671,139
At 1 January 2015	337,320	84,937	-	2,235	482	63,188	(4,034)	56,288	540,416	101,550	641,966
Total comprehensive income for the period	-	-	-	14,174	-	-	-	8,491	22,665	(14,809)	7,856
Own shares acquired	-	-	-	-	-	-	(927)	-	(927)	-	(927)
Resale of treasury shares	-	-	-	-	-	-	4,851	-	4,851	-	4,851
Share-based payment transactions	-	-	-	-	40	-	-	-	40	-	40
Capital reduction in a subsidiary	-	-	-	-	-	-	-	-	-	(39,790)	(39,790)
Government grants received during the year	-	-	-	-	-	9,434	-	-	9,434	-	9,434
Share option exercised	1,527	637	-	-	(520)	-	-	-	1,644	-	1,644
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(304)	(304)
At 30 June 2015	338,847	85,574	-	16,409	2	72,622	(110)	64,779	578,123	46,647	624,770

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2015 - UNAUDITED**

	6 months Ended 30/06/2015 RM'000	6 months Ended 30/06/2014 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax from:		
- continuing operations	14,091	(2,899)
- discontinued operations	(10,872)	31,555
	3,219	28,656
Adjustments for :		
- Non-cash items	(18,279)	(33,038)
- Non-operating items	(268)	(1,373)
Operating profit before changes in working capital	(15,328)	(5,755)
Changes in working capital	16,428	(10,626)
Cash used in operations	1,100	(16,381)
Income taxes paid	(3,438)	(2,781)
Interest paid	(3,058)	(1,049)
Net cash used in operating activities	(5,396)	(20,211)
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	-	85
- Acquisition of property, plant and equipment	(2,376)	(167)
- Acquisition of subsidiary, net of cash acquired	-	(1,232)
- Acquisition of joint venture	(1,842)	-
- Capital reduction in a subsidiary	(43,150)	-
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	-	216,806
- Interest received	3,327	2,422
Net cash from/(used in) investing activities	(44,041)	217,914
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares capital	1,644	43,493
- Purchase of treasury shares	(927)	-
- Proceed from resale of treasury shares	5,956	-
- Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	-	3
- Government grants received	9,434	-
- Proceeds from bank borrowings	-	4,889
- Repayments of bank borrowings	(1,112)	(4,029)
- Dividends paid to non-controlling interests	(864)	(569)
- Payment of hire purchase liabilities	(2,282)	(2,127)
Net cash from financing activities	11,849	41,660
Net increase/(decrease) in cash and cash equivalents	(37,588)	239,363
Cash and cash equivalents at beginning of period	293,392	146,427
Exchange differences on translation of the financial statements of foreign entities	5,944	(9,349)
Cash and cash equivalents at end of period	261,748	376,441

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



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

	6 months Ended 30/06/2015 RM'000	6 months Ended 30/06/2014 RM'000
Cash and bank balances	104,287	251,443
Deposits placed with licensed banks	159,074	130,055
Bank overdrafts	(1,613)	(5,057)
	<u>261,748</u>	<u>376,441</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2015

(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 2014 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 2014. The audited financial statements of the Group as at and for the year ended 31 December 2014 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 2014 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 2015.

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

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*



MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

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

- 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, except for Amendments to MFRS 1 which is not applicable to the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and Amendments to MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) 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 and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9



2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2014 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 30 June 2015.

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 30 June 2015 other than:

a) Issuance of ordinary share capital

Issuance of 3,054,300 new ordinary shares of RM0.50 each pursuant to the exercise of the Employee's Share Option Scheme.

b) Share buy-back

The Company repurchased 1,509,500 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 RM0.93 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.

c) Resale of treasury shares

During the financial period, the Company disposed 8,000,000 of its issued ordinary shares held as treasury shares for a total consideration of RM5.96 million in the open market at an average price of RM0.74 per share. As at 30 June 2015, the number of treasury shares held after deducting the disposal was 174,500 shares.

7. Dividends Paid

There were no payment of dividend for the cumulative quarter ended 30 June 2015.



8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 June 2015 are as follows:-

	Constructions RM'000	Concessions RM'000	Trading & Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Segment profit	689	2,446	1,114	(657)	3,592	(10,564)	(6,972)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	35,842	666	6,791	-	43,299	22,960	66,259
Share of profit of associate	-	1,773	-	-	1,773	-	1,773
Share of profit of joint venture	4,432	-	(508)	-	3,924	-	3,924
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(565)	-	(1,688)	(73)	(2,326)	(198)	(2,524)
Finance costs	(34)	-	(456)	(2,427)	(2,917)	(141)	(3,058)
Finance income	2,244	2	1,047	2	3,295	31	3,326
Income tax expense	(1,533)	-	(150)	8	(1,675)	(82)	(1,757)
Segment assets	401,213	30,194	176,790	142,091	750,288	183,297	933,585
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	29,447	-	-	29,447	-	29,447
Investment in joint venture	7,282	-	21,382	-	28,664	-	28,664
Additions to non-current assets other than financial instruments and deferred tax assets	1,547	-	2,130	-	3,677	30	3,707



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

	RM'000
Profit	
Total profit for reportable segments	3,592
Depreciation and amortisation	(2,326)
Finance costs	(2,917)
Finance income	3,295
Unrealised/ realised foreign exchange gain	14,499
Unallocated expenses:	
Corporate expenses	(2,052)
Consolidated profit before tax from continuing operations	<u>14,091</u>
Loss from discontinued operations, net of tax	(10,954)
Consolidated profit before tax	<u><u>3,137</u></u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 2015. 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 20 August 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 18 March 2015, incorporated a wholly-owned subsidiary, Salcon Petroleum Services Sdn Bhd ("SPSSB"), in Malaysia under the Companies Act, 1965.

The present authorised share capital of SPSSB is RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. The intended principal activity of SPSSB is provision of petroleum related services.

The incorporation of SPSSB will not have any material effect on the earnings or net assets of Salcon Group for the financial year ending 31 December 2015. It will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as well.



12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 30 June 2015 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	104,237
Guarantees given in favour of third parties	<u>10,918</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	578,123
No. of shares	<u>677,694</u>
NA per share (RM)	<u>0.85</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 30/06/2015 RM'000	Cumulative Quarter To-date 30/06/2015 RM'000
Continuing operations		
Malaysian - current period	1,088	1,675
- prior years	-	-
	<u>1,088</u>	<u>1,675</u>

The Group's lower effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) is mainly due to certain income not being subject to tax.

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 22 August 2015 mutually agreed to a ninth extension till 21 November 2015 for the fulfillment of the Conditions-B of the SPA-B.

The status of the utilisation of the proceeds as at 20 August 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	(40,556)	Within 12 months	(10,556)	35	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	(180,573)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2015 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	70,000	10,989	80,989
Finance lease creditors	1,741	-	1,741
	<u>71,741</u>	<u>10,989</u>	<u>82,730</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	1,613	1,613
Term loan	6,000	2,073	8,073
Finance lease creditors	5,581	-	5,581
	<u>11,581</u>	<u>3,686</u>	<u>15,267</u>
Total Group Borrowings	<u>83,322</u>	<u>14,675</u>	<u>97,997</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)	16,399	10,002
Short Term Borrowings (Unsecured)	<u>3,401</u>	<u>2,074</u>

4. Changes in Material Litigation

There was no material update as at 20 August 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).

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).

The Defendant had on 26 November 2014 filed an appeal to the High Court of Shandong province. The hearing was fixed on 24 August 2015.

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 decreased by 2% but has recorded a profit before tax of RM3.60 million as compared to profit before tax of RM10.49 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 1% as compared to the immediate preceding quarter. Contributions from a joint venture project has improved the Division performance which recorded profit before tax of RM2.69 million as compared to loss before tax of RM3.53 million in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded loss before tax of RM3.03 million as compared to loss before tax of RM128,000 due to higher finance cost.

In the Concessions Division, revenue increased marginally by 1% and profit before tax decreased by 6% as compared with the immediate preceding quarter. Lower profit before tax was due to lower contributions from the associated company in Vietnam.

For the Trading and Services Division, revenue increased by 19%. However, higher unrealised forex loss has resulted in a loss before tax of RM330,000 as compared to profit before tax of RM346,000 in the same period of the immediate preceding quarter.

Higher revenue was recorded in the discontinued concessions operations by 50%. However, the Division recorded loss before tax of RM6.28 million as compared to loss before tax of RM4.59 million in the same period of the immediate preceding quarter due to the higher cost on purchase of treated water due to temporary shutdown of the water plant resulted from the stop supply of raw water.

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

For the current financial quarter under review, the Group achieved lower revenue amounting to RM21.89 million as compared to RM33.27 million for the same period in the preceding year or a decreased of 34%. Profit before taxation of RM3.60 million was recorded in the current financial quarter as compared to loss before tax of RM2.75 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 32% as compared to the same period in the preceding year. Contributions from a joint venture project has improved the Division performance which recorded profit before tax of RM2.69 million as compared to loss before tax of RM1.60 million for the same period in the preceding year.

In the Property Development Division, no revenue was recorded as compared to RM2.48 million for the same period in the preceding year due to the notice issued by Malaysian Accounting Standards Board on 2 September 2014 which prevent companies that has applied MFRSs shall not revert to apply Financial Reporting Standards to recognize income and profits on stages of completion. Loss before tax was recorded in the current financial quarter of RM3.03 million as compared to profit before tax of RM367,000 for the same period in the preceding year as a result of higher finance cost in the current financial quarter.

In the Concessions Division, revenue was higher by 13% in current financial quarter due to strengthening of US currency. Profit before tax was RM1.18 million as compared to RM1.16 million for the same period in the preceding year.

In the Trading and Services Division, revenue was lower by 11% as compared to the same period in the preceding year. The Division recorded loss before tax of RM330,000 as compared to losses of RM309,000 for the same period in the preceding year.



Higher revenue was recorded in the discontinued concessions operations by 50%. The Division recorded loss before tax of RM6.28 million as compared to loss before tax of RM692,000 for the same period in the preceding year due to the higher cost on purchase of treated water due to temporary shutdown of the water plant resulted from the stop supply of raw water.

For the cumulative quarter to date, the Group recorded revenue of RM43.30 million as compared to RM73.70 million in the corresponding cumulative quarter in the preceding year. Profit before tax of RM14.09 million was recorded in the cumulative quarter to date as compared to loss before tax of RM2.90 million in the corresponding cumulative quarter in the preceding year attributed by the unrealised gains on foreign exchange.

In the Constructions Division, revenue was 37% lower when compared to the corresponding cumulative quarter in the preceding year. However, contributions from a joint venture project has reduced the Division loss before tax to RM838,000 as compared to loss before tax of RM1.77 million for the same period in the preceding year.

In the Property Development Division, no revenue was recorded as compared to RM7.97 million for the cumulative quarter in the preceding year due to the notice issued by Malaysian Accounting Standards Board on 2 September 2014 which prevent companies that has applied MFRSs shall not revert to apply Financial Reporting Standards to recognize income and profits on stages of completion. Loss before tax was recorded in the cumulative quarter of RM3.16 million as compared to profit before tax of RM1.14 million for the same period in the preceding year as a result of higher finance cost in the current cumulative quarter.

The Concessions Division recorded revenue and profit before tax of RM666,000 and RM2.45 million as compared to RM593,000 and RM2.26 million respectively in the corresponding cumulative quarter in the preceding year. The improvement of 12% in revenue was due to strengthening of US currency.

The Trading and Services Division recorded revenue of RM6.79 million as compared to RM7.91 million in the corresponding cumulative quarter in the preceding year. The Division recorded profit before tax of RM16,000 as compared to loss before tax of RM924,000 for the same period in the preceding year due to higher operating expenses in the cumulative quarter of the preceding year.

Higher revenue was recorded in the discontinued concessions operations by 32%. The Division recorded loss before tax of RM10.87 million as compared to profit before tax of RM31.55 million due to the higher cost on purchase of treated water due to temporary shutdown of the water plant resulted from the stop supply of raw water in the cumulative quarter to date.

7. Prospects

Amidst the depreciation of the RM in the recent weeks, the Group is fortunate to have benefitted from its decision to place the cash received from the divestment of its China concessions in foreign currencies denominated in RMB and USD. The Group will continuously monitor and assess the situation to ensure the best outcomes for its stakeholders whilst on the look-out for new business opportunities to increase shareholder values.

We are also pleased to note that Volksbahn Technologies Sdn Bhd (VBT), subsidiary of the Group, has inked a Master Tenancy Agreement with Umobile Sdn Bhd for a contract term of 10 years. The management of VBT are optimistic for more contracts to be sealed in due course. The Group looks forward to positive contribution from VBT.

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 30 June 2015, 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 30/06/2015	Comparative Quarter Ended 30/06/2014	Cumulative Quarter To-date	
			30/06/2015	30/06/2014
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	3,178	(3,815)	12,440	(7,068)
- discontinued operations	(2,294)	(918)	(3,949)	18,728
	<u>884</u>	<u>(4,733)</u>	<u>8,491</u>	<u>11,660</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	<u>674,640</u>	<u>608,305</u>	<u>674,640</u>	<u>608,305</u>
Effect of shares issued during the period ('000)	<u>1,196</u>	<u>25,323</u>	<u>651</u>	<u>13,726</u>
Weighted average number of ordinary shares ('000)	<u>675,836</u>	<u>633,628</u>	<u>675,291</u>	<u>622,031</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	0.47	(0.60)	1.84	(1.14)
- discontinued operations	(0.34)	(0.15)	(0.58)	3.01
Total	<u>0.13</u>	<u>(0.75)</u>	<u>1.26</u>	<u>1.87</u>



Diluted earnings per share

	Current Quarter Ended 30/06/2015	Comparative Quarter Ended 30/06/2014	Cumulative Quarter To-date	
			30/06/2015	30/06/2014
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	3,178	(3,815)	12,440	(7,068)
- discontinued operations	(2,294)	(918)	(3,949)	18,728
	<u>884</u>	<u>(4,733)</u>	<u>8,491</u>	<u>11,660</u>
<u>Weighted average number of ordinary shares (diluted)</u>				
Weighted average number of ordinary shares as above ('000)	<u>675,836</u>	<u>633,628</u>	<u>675,291</u>	<u>622,031</u>
Effect of approved unexercised ESOS ('000)	<u>18</u>	<u>4,966</u>	<u>18</u>	<u>4,966</u>
Weighted average number of ordinary shares (diluted)	<u>675,854</u>	<u>638,594</u>	<u>675,309</u>	<u>626,997</u>
Diluted (loss)/earnings per share (sen)				
- continuing operations	0.47	(0.60)	1.84	(1.13)
- discontinued operations	(0.34)	(0.14)	(0.58)	2.99
Total	<u>0.13</u>	<u>(0.74)</u>	<u>1.26</u>	<u>1.86</u>

11. Realised and Unrealised Profits

	As at 30/06/2015 RM'000	As at 31/12/2014 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	88,975	132,828
- Unrealised	18,597	11,387
	<u>107,572</u>	<u>144,215</u>
Total share of retained profits from associated company:		
- Realised	7,647	5,874
Total share of retained profits from jointly controlled entities:		
- Realised	4,422	498
	<u>119,641</u>	<u>150,587</u>
Less: Consolidation adjustments	(54,862)	(94,299)
Total Group retained earnings as per consolidated accounts	<u>64,779</u>	<u>56,288</u>



12. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 31/06/2015 RM'000	Cumulative Quarter To-date 31/06/2015 RM'000
Foreign Exchange Gain	4,608	16,833
Foreign Exchange Loss	(2,294)	(3,084)
Depreciation and amortization	<u>(386)</u>	<u>(688)</u>
	<u>1,928</u>	<u>13,061</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 27 August 2015.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
27 August 2015