



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

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

	<b>30/09/2015</b> <b>RM'000</b>	31/12/2014 RM'000
<b>Assets</b>		
Property, plant and equipment	<b>85,861</b>	73,816
Intangible assets	<b>21,831</b>	21,831
Investment properties	<b>8,446</b>	8,446
Investment in associate	<b>30,529</b>	27,674
Investment in joint ventures	<b>23,900</b>	22,898
Deferred tax assets	<b>5,864</b>	5,864
<b>Total non-current assets</b>	<b>176,431</b>	160,529
Trade and other receivables, including derivatives	<b>189,954</b>	205,991
Inventories	<b>158,861</b>	146,061
Current tax assets	<b>1,736</b>	1,311
Assets classified as held for sale	<b>188,498</b>	142,042
Cash and cash equivalents	<b>256,866</b>	294,453
<b>Total current assets</b>	<b>795,915</b>	789,858
<b>Total assets</b>	<b>972,346</b>	950,387
<b>Equity</b>		
Share capital	<b>338,847</b>	337,320
Reserves	<b>197,655</b>	146,808
Retained earnings	<b>49,073</b>	56,288
<b>Total equity attributable to owners of the Company</b>	<b>585,575</b>	540,416
<b>Non-controlling interests</b>	<b>41,919</b>	101,550
<b>Total equity</b>	<b>627,494</b>	641,966
<b>Liabilities</b>		
Loans and borrowings	<b>82,411</b>	84,951
Deferred tax liabilities	<b>9,054</b>	9,327
<b>Total non-current liabilities</b>	<b>91,465</b>	94,278
Trade and other payables, including derivatives	<b>112,045</b>	113,498
Loans and borrowings	<b>13,113</b>	13,594
Current tax liabilities	<b>2,125</b>	1,702
Liabilities classified as held for sale	<b>126,104</b>	85,349
<b>Total current liabilities</b>	<b>253,387</b>	214,143
<b>Total liabilities</b>	<b>344,852</b>	308,421
<b>Total equity and liabilities</b>	<b>972,346</b>	950,387
Net assets per share (RM)	<b>0.86</b>	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.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>30/09/2015 RM'000</b>	30/09/2014 RM'000	<b>30/09/2015 RM'000</b>	30/09/2014 RM'000
<b>Continuing operations</b>				
<b>Revenue</b>	<b>22,538</b>	20,842	<b>65,837</b>	94,538
Cost of sales	<b>(21,269)</b>	(17,185)	<b>(56,877)</b>	(77,247)
<b>Gross Profit</b>	<b>1,269</b>	3,657	<b>8,960</b>	17,291
Other income	<b>21,576</b>	204	<b>39,559</b>	412
Distribution expenses	<b>(602)</b>	(793)	<b>(1,771)</b>	(2,383)
Administrative expenses	<b>(13,395)</b>	(8,374)	<b>(29,884)</b>	(26,675)
<b>Profit/(Loss) from operating activities</b>	<b>8,848</b>	(5,306)	<b>16,864</b>	(11,355)
Finance costs	<b>(1,266)</b>	(350)	<b>(4,183)</b>	(1,285)
Finance income	<b>1,179</b>	1,803	<b>4,474</b>	4,204
Share of profit of equity-accounted associate/ joint ventures, net of tax	<b>(1,889)</b>	824	<b>3,808</b>	2,508
<b>Profit/(Loss) before tax</b>	<b>6,872</b>	(3,029)	<b>20,963</b>	(5,928)
Tax expense	<b>(1,053)</b>	272	<b>(2,728)</b>	(2,196)
<b>Profit from continuing operations</b>	<b>5,819</b>	(2,757)	<b>18,235</b>	(8,124)
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations, net of tax	<b>(5,012)</b>	(146)	<b>(15,966)</b>	31,408
<b>Profit/(Loss) for the period</b>	<b>807</b>	(2,903)	<b>2,269</b>	23,284
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	<b>3,514</b>	(1,759)	<b>12,005</b>	9,901
Non-controlling interests	<b>(2,707)</b>	(1,144)	<b>(9,736)</b>	13,383
<b>Profit/(Loss) for the period</b>	<b>807</b>	(2,903)	<b>2,269</b>	23,284
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	<b>0.79</b>	(0.47)	<b>2.63</b>	(1.60)
- from discontinued operations	<b>(0.27)</b>	0.21	<b>(0.85)</b>	3.15
Total	<b>0.52</b>	(0.26)	<b>1.78</b>	1.55

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.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>30/09/2015 RM'000</b>	30/09/2014 RM'000	<b>30/09/2015 RM'000</b>	30/09/2014 RM'000
<b>Profit/(Loss) for the period</b>	<b>807</b>	(2,903)	<b>2,269</b>	23,284
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>8,543</b>	(1,209)	<b>14,937</b>	(28,248)
<b>Total other comprehensive income/(expense)</b>	<b>8,543</b>	(1,209)	<b>14,937</b>	(28,248)
<b>Total comprehensive income/(expense) for the period</b>	<b>9,350</b>	(4,112)	<b>17,206</b>	(4,964)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>13,793</b>	(7,067)	<b>36,458</b>	(19,216)
Non-controlling interests	<b>(4,443)</b>	2,955	<b>(19,252)</b>	14,252
<b>Total comprehensive income/(expense) for the period</b>	<b>9,350</b>	(4,112)	<b>17,206</b>	(4,964)

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 THIRD QUARTER ENDED 30 SEPTEMBER 2015 - UNAUDITED**

	Attributable to Owners of the Company							Distributable		Non- controlling interests	Total equity
				Non – distributable							
	Share capital	Share premium	Warrant reserve	Translation reserve	Share option reserve	Capital reserve	Treasury shares	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2014</b>	304,152	46,955	22,150	30,529	3,391	-	-	99,242	506,419	213,937	720,356
Total comprehensive income for the period	-	-	-	(29,117)	-	-	-	9,901	(19,216)	14,252	(4,964)
Share option exercised	8,533	2,673	-	-	(2,216)	-	-	-	8,990	-	8,990
Share-based payment transactions	-	-	-	-	121	-	-	-	121	-	121
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	-	-	-	-	-	-	-	-	-	627	627
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	25	25	66	91
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(81,448)	(81,448)
Dividends to shareholders	-	-	-	-	-	-	-	(20,230)	(20,230)	-	(20,230)
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(573)	(573)
<b>At 30 September 2014</b>	<b>337,290</b>	<b>84,080</b>	<b>-</b>	<b>1,412</b>	<b>1,296</b>	<b>-</b>	<b>-</b>	<b>88,938</b>	<b>513,016</b>	<b>146,861</b>	<b>659,877</b>
<b>At 1 January 2015</b>	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	-	-	-	24,453	-	-	-	12,005	36,458	(19,252)	17,206
Own shares acquired	-	-	-	-	-	-	(4,316)	-	(4,316)	-	(4,316)
Resale of treasury shares	-	-	-	-	-	-	4,851	1,105	5,956	-	5,956
Share-based payment transactions	-	-	-	-	40	-	-	-	40	-	40
Capital reduction in a subsidiary	-	-	-	-	-	-	-	-	-	(39,790)	(39,790)
Government grants received during the year	-	-	-	-	-	25,660	-	-	25,660	-	25,660
Share option exercised	1,527	681	-	-	(522)	-	-	-	1,686	-	1,686
Dividends to shareholders	-	-	-	-	-	-	-	(20,325)	(20,325)	-	(20,325)
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(589)	(589)
<b>At 30 September 2015</b>	<b>338,847</b>	<b>85,618</b>	<b>-</b>	<b>26,688</b>	<b>-</b>	<b>88,848</b>	<b>(3,499)</b>	<b>49,073</b>	<b>585,575</b>	<b>41,919</b>	<b>627,494</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 2014 and the accompanying explanatory notes attached to the interim financial statements.



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

	<b>9 months Ended 30/09/2015 RM'000</b>	9 months Ended 30/09/2014 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax from:		
- continuing operations	<b>20,963</b>	(5,928)
- discontinued operations	<b>(15,881)</b>	31,415
	<b>5,082</b>	25,487
Adjustments for :		
- Non-cash items	<b>(36,667)</b>	(32,888)
- Non-operating items	<b>(122)</b>	(2,778)
Operating loss before changes in working capital	<b>(31,707)</b>	(10,179)
Changes in working capital	<b>34,430</b>	(18,989)
Cash generated/(used in) operations	<b>2,723</b>	(29,168)
Income taxes paid	<b>(3,089)</b>	(1,950)
Interest paid	<b>(4,402)</b>	(1,462)
<b>Net cash used in operating activities</b>	<b>(4,768)</b>	(32,580)
<b><u>Cash flows from investing activities</u></b>		
- Proceeds from disposal of property, plant and equipment	<b>72</b>	86
- Acquisition of property, plant and equipment	<b>(3,523)</b>	(645)
- Acquisition of subsidiary, net of cash acquired	-	(14,729)
- Acquisition of associate company	<b>(49)</b>	-
- Capital reduction in a subsidiary	<b>(43,149)</b>	-
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	-	228,282
- Interest received	<b>4,524</b>	4,240
<b>Net cash from/(used in) investing activities</b>	<b>(42,125)</b>	217,234
<b><u>Cash flows from financing activities</u></b>		
- Net proceeds from issue of shares capital	<b>1,686</b>	45,896
- Purchase of treasury shares	<b>(4,316)</b>	-
- Proceed from resale of treasury shares	<b>5,956</b>	-
- Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	-	3
- Government grants received	<b>25,660</b>	-
- Proceeds from bank borrowings	-	6,000
- Repayments of bank borrowings	<b>(3,359)</b>	(5,830)
- Dividends paid to shareholders of Salcon Berhad	<b>(20,325)</b>	(20,230)
- Dividends paid to non-controlling interests	<b>(1,148)</b>	(853)
- Payment of hire purchase liabilities	<b>(3,468)</b>	(2,252)
<b>Net cash from financing activities</b>	<b>686</b>	22,734
Net increase/(decrease) in cash and cash equivalents	<b>(46,207)</b>	207,388
Cash and cash equivalents at beginning of period	<b>293,392</b>	146,427
Exchange differences on translation of the financial statements of foreign entities	<b>9,034</b>	(5,030)
<b>Cash and cash equivalents at end of period</b>	<b>256,219</b>	348,785

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.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2015 – UNAUDITED**

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

	<b>9 months Ended 30/09/2015 RM'000</b>	9 months Ended 30/09/2014 RM'000
Cash and bank balances	<b>44,026</b>	213,895
Deposits placed with licensed banks	<b>212,840</b>	138,508
Bank overdrafts	<b>(647)</b>	(3,618)
	<b><u>256,219</u></b>	<u>348,785</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.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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 6,335,700 ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.68 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 RM4.32 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 September 2015, the number of treasury shares held after deducting the disposal was 5,000,700 shares.



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

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**7. Dividends Paid**

The dividend paid for the cumulative quarter ended 30 September 2015 is as follows:-

	<b>Cumulative Quarter To-date 30/09/15 RM'000</b>
First and special final single tier dividend of 3.0 sen per share in respect of financial year ended 31 December 2014 was paid on 16 July 2015	20,325

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## 8. Segmental Reporting

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

	<b>Constructions RM'000</b>	<b>Concessions RM'000</b>	<b>Trading &amp; Services RM'000</b>	<b>Property Development RM'000</b>	<b>Total Continuing Operations RM'000</b>	<b>Discontinued Operations RM'000</b>	<b>Consolidated RM'000</b>
<b>Segment profit</b>	(6,818)	3,893	(4,452)	(1,893)	(9,270)	(15,374)	(24,644)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	54,674	1,051	10,112	-	65,837	34,819	100,656
Share of profit of associate	-	2,806	-	-	2,806	-	2,806
Share of profit of joint venture	1,828	-	(826)	-	1,002	-	1,002
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(860)	-	(3,622)	(110)	(4,592)	(339)	(4,931)
Finance costs	(64)	-	(692)	(3,427)	(4,183)	(219)	(4,402)
Finance income	3,232	3	1,235	3	4,473	51	4,524
Income tax expense	(2,579)	(1)	(150)	2	(2,728)	(85)	(2,813)
<b>Segment assets</b>	<b>385,931</b>	<b>31,118</b>	<b>193,543</b>	<b>151,429</b>	<b>762,021</b>	<b>210,325</b>	<b>972,346</b>
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	30,529	-	-	30,529	-	30,529
Investment in joint venture	2,836	-	21,064	-	23,900	-	23,900
Additions to non-current assets other than financial instruments and deferred tax assets	1,596	-	3,227	-	4,823	64	4,887



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

	<b>RM'000</b>
<b>Profit</b>	
Total loss for reportable segments	(9,270)
Depreciation and amortisation	(4,592)
Finance costs	(4,183)
Finance income	4,473
Unrealised/ realised foreign exchange gain	37,617
Unallocated expenses:	
Corporate expenses	(3,082)
Consolidated profit before tax from continuing operations	<u>20,963</u>
Loss from discontinued operations, net of tax	(15,966)
Consolidated profit before tax	<u><u>4,997</u></u>

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

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 September 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 23 November 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 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.

The intended principal activity of SPSSB is provision of petroleum related services.

The 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

SPSSB has on 10 August 2015 increased its issued and paid up share capital from RM2.00 to RM100,000.00 by way of allotment of an additional 99,998 ordinary shares of RM1.00 each to Salcon and Kunci Sempurna Sdn Bhd ("the Allotment of Shares") for cash consideration.

Following the Allotment of Shares, Salcon's equity interest in SPSSB is reduced from 100% to 49% and SPSSB ceased as a subsidiary of Salcon, and becomes an associated company of Salcon.



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

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

	<b>RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	170,954
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:-

	<b>RM'000</b>
Shareholders funds	585,575
No. of shares	<u>677,694</u>
NA per share (RM)	<u>0.86</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 30/09/2015 RM'000	Cumulative Quarter To-date 30/09/2015 RM'000
Continuing operations		
Malaysian - current period	1,330	3,005
- prior years	(277)	(277)
	<u>1,053</u>	<u>2,728</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.



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

The Company and BEWG had on 20 November 2015 mutually agreed to a tenth extension till 31 March 2016 for the fulfillment of the Conditions-B of the SPA-B.

The status of the utilisation of the proceeds as at 23 November 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
<b>Total</b>	<b>369,374</b>	<b>(180,573)</b>		<b>-</b>	<b>-</b>	<b>-</b>

### 3. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	70,000	11,230	81,230
Finance lease creditors	1,181	-	1,181
	<u>71,181</u>	<u>11,230</u>	<u>82,411</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	647	647
Term loan	5,132	2,378	7,510
Finance lease creditors	4,956	-	4,956
	<u>10,088</u>	<u>3,025</u>	<u>13,113</u>
<b>Total Group Borrowings</b>	<b><u>81,269</u></b>	<b><u>14,255</u></b>	<b><u>95,524</u></b>

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)	14,700	10,281
Short Term Borrowings (Unsecured)	3,400	2,378

#### 4. Changes in Material Litigation

There was no material update as at 18 November 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.

The Defendant had on 21 October 2015 received the Paper of Civil Judgment dated 10 October 2015 from the Higher People’s Court of Shandong Province informing that the Appeal had been rejected and the Original Judgement from the Linyi City Civil Court for the Defendant to pay the judgement sum of RMB26,694,826.00 (equivalent to approximately RM17,965,618.00) to the Plaintiff shall be upheld (“Second Judgement”).

In addition, as stated in the said Paper of Civil Judgement, the Defendant shall pay RMB124,436.00 (equivalent to approximately RM83,745.00), being part of the appeal fees of RMB175,274.00 (equivalent to approximately RM117,959.00). Balance of the appeal fees shall be borne by the Plaintiff.





Based on the Second Judgement and the Group's effective ownership of 36% in LSWC, the Group will assume a total liability of RMB9,654,934.00 (equivalent to approximately RM6,497,771.00).

There is no material financial effects to the Group as the amount claimed of RMB9,610,137.00 (equivalent to approximately RM5,102,983.00 ) (excluding the appeal fees) by the Plaintiff had been fully provided in the Audited Financial Statements for the financial year ended 31 December 2014. In addition, there is no operational impact to the Company and the Group.

### **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.

The Plaintiff decided not to file any appeal application against the judgement from the Linyi City Civil Court.

Based on the Group's effective ownership of 36% in LSWC, the amount claimed by the Plaintiff of RMB6,597,028.00 (equivalent to approximately RM3,503,022.00 ) had been fully provided in the Audited Financial Statements for the financial year ended 31 December 2014. There is no operational impact to the Company and the Group.

### **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 and profit before tax has increased by 3% and 110% respectively as compared to the immediate preceding quarter. Higher profit before tax is mainly due to unrealised foreign exchange gain.

The revenue recorded in the Constructions Division was higher by 5% as compared to the immediate preceding quarter. Provision for escalated cost in an overseas project have contributed to the loss before tax for the Division of RM7.65 million as compared to profit before tax of RM2.69 million in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded loss before tax of RM1.58 million in the current financial quarter as compared to loss before tax of RM3.03 million of the due to higher finance cost in the immediate preceding quarter.

In the Concessions Division, revenue and profit before tax increased by 15% and 22% respectively as compared with the immediate preceding quarter. Higher profit before tax was due to favourable exchange rate of USD currency which contributed from an associated company in Vietnam.

For the Trading and Services Division, revenue decreased by 10%. Higher accrual on the operational expenses has resulted in a loss before tax of RM7.55 million as compared to loss before tax of RM330,000 in the same period of the immediate preceding quarter.

Lower revenue was recorded in the discontinued concessions operations by 14%. However, the Division recorded loss before tax of RM5.01 million as compared to loss before tax of RM6.28 million in the same period of the immediate preceding quarter due to lower production of treated water.



**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 RM22.54 million as compared to RM20.84 million for the same period in the preceding year or an increase of 8%. Profit before taxation of RM6.87 million was recorded in the current financial quarter as compared to loss before tax of RM3.03 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 24% as compared to the same period in the preceding year. Provision for taxation in a joint venture project and lower gross profit has contributed to the loss before tax for the Division of RM7.65 million as compared to loss before tax of RM2.22 million for the same period in the preceding year.

In the Property Development Division, no revenue was recorded in the current financial quarter and 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 RM2.27 million as compared to loss before tax of RM1.57 million for the same period in the preceding year.

In the Concessions Division, revenue was higher by 30% in current financial quarter due to strengthening of US currency. Profit before tax was RM1.45 million as compared to RM1.12 million for the same period in the preceding year.

In the Trading and Services Division, revenue was lower by 9% as compared to the same period in the preceding year. Higher accrual on the operational expenses has resulted in a loss before tax of RM7.55 million as compared to profit before tax of RM409,000 for the same period in the preceding year.

Higher revenue was recorded in the discontinued concessions operations by 24%. The Division recorded loss before tax of RM5.01 million as compared to loss before tax of RM139,000 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 RM65.84 million as compared to RM94.54 million in the corresponding cumulative quarter in the preceding year. Profit before tax of RM20.96 million was recorded in the cumulative quarter to date as compared to loss before tax of RM5.93 million in the corresponding cumulative quarter in the preceding year attributed by the unrealised gains on foreign exchange.

In the Constructions Division, revenue was 33% lower when compared to the corresponding cumulative quarter in the preceding year. Lower gross profit has contributed to the loss before tax of RM7.38 million as compared to loss before tax of RM3.99 million for the same period in the preceding year.

In the Property Development Division, no revenue was recorded which was 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 RM5.43 million as compared to loss before tax of RM432,000 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 RM1.05 million and RM3.90 million as compared to RM890,000 and RM3.38 million respectively in the corresponding cumulative quarter in the preceding year. The improvement of 18% in revenue was due to strengthening of US currency.

The Trading and Services Division recorded revenue of RM10.11 million as compared to RM11.56 million in the corresponding cumulative quarter in the preceding year. The Division recorded loss before



tax of RM7.53 million as compared to loss before tax of RM515,000 for the same period in the preceding year due to accrual on the operational expenses in the cumulative quarter to date.

Higher revenue was recorded in the discontinued concessions operations by 29%. The Division recorded loss before tax of RM15.88 million as compared to profit before tax of RM31.42 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**

Following the Government announcement of Eleventh Malaysia Plan (11MP) with the allocation of RM12 billion for the water and waste water sector, the Group is optimistic to participate in some of these projects.

**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 September 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 30/09/2015	Comparative Quarter Ended 30/09/2014	Cumulative Quarter To-date	
			30/09/2015	30/09/2014
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	5,319	(3,183)	17,759	(10,251)
- discontinued operations	(1,805)	1,424	(5,754)	20,152
	<u>3,514</u>	<u>(1,759)</u>	<u>12,005</u>	<u>9,901</u>
<b><u>Weighted average number of ordinary shares</u></b>				
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>3,054</u>	<u>64,584</u>	<u>1,439</u>	<u>30,429</u>
Weighted average number of ordinary shares ('000)	<u>677,694</u>	<u>672,889</u>	<u>676,079</u>	<u>638,734</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	0.79	(0.47)	2.63	(1.60)
- discontinued operations	(0.27)	0.21	(0.85)	3.15
Total	<u>0.52</u>	<u>(0.26)</u>	<u>1.78</u>	<u>1.55</u>



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

**11. Realised and Unrealised Profits**

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	52,814	132,828
- Unrealised	42,516	11,387
	95,330	144,215
Total share of retained profits from associated company:		
- Realised	8,680	5,874
Total share of retained profits from jointly controlled entities:		
- Realised	1,500	498
	105,510	150,587
Less: Consolidation adjustments	(56,437)	(94,299)
Total Group retained earnings as per consolidated accounts	49,073	56,288

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

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

	Current Quarter Ended 31/09/2015 RM'000	Cumulative Quarter To-date 31/09/2015 RM'000
Foreign Exchange Gain	22,593	39,426
Foreign Exchange Loss	1,318	(1,766)
Depreciation and amortization	(358)	(1,046)
	23,553	36,614



**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 30 November 2015.

**ON BEHALF OF THE BOARD**

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

Selangor Darul Ehsan  
30 November 2015