



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2016 - UNAUDITED**

	30/06/2016 RM'000	31/12/2015 RM'000
Assets		
Property, plant and equipment	59,820	67,947
Intangible assets	21,831	21,831
Investment properties	8,485	8,485
Investment in associate	25,105	27,266
Investment in joint ventures	27,084	23,036
Deferred tax assets	3,698	3,698
Total non-current assets	146,023	152,263
Trade and other receivables, including derivatives	153,743	158,835
Inventories	186,171	163,141
Current tax assets	1,368	1,034
Assets classified as held for sale	-	197,615
Cash and cash equivalents	233,187	277,855
Total current assets	574,469	798,480
Total assets	720,492	950,743
Equity		
Share capital	338,847	338,847
Reserves	77,536	195,293
Retained earnings	67,877	42,608
Total equity attributable to owners of the Company	484,260	576,748
Non-controlling interests	39,334	27,213
Total equity	523,594	603,961
Liabilities		
Loans and borrowings	69,293	68,312
Deferred tax liabilities	10,218	9,998
Total non-current liabilities	79,511	78,310
Trade and other payables, including derivatives	102,700	118,062
Loans and borrowings	13,512	9,693
Current tax liabilities	1,175	1,227
Liabilities classified as held for sale	-	139,490
Total current liabilities	117,387	268,472
Total liabilities	196,898	346,782
Total equity and liabilities	720,492	950,743
Net assets per share (RM)	0.71	0.85

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2016 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Continuing operations				
Revenue	21,701	21,892	37,558	43,299
Cost of sales	(18,646)	(16,923)	(30,894)	(35,608)
Gross Profit	3,055	4,969	6,664	7,691
Other income	349	4,653	771	17,983
Distribution expenses	(1,093)	(708)	(2,011)	(1,169)
Administrative expenses	(4,535)	(8,842)	(24,139)	(16,489)
Profit/(Loss) from operating activities	(2,224)	72	(18,715)	8,016
Finance costs	(1,211)	(2,627)	(2,440)	(2,917)
Finance income	301	1,517	820	3,295
Share of profit of equity-accounted associate/ joint ventures, net of tax	3,619	4,639	6,174	5,697
Profit/(Loss) before tax	485	3,601	(14,161)	14,091
Tax expense	(392)	(1,088)	(871)	(1,675)
Profit/(Loss) from continuing operations	93	2,513	(15,032)	12,416
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	43,189	(6,366)	38,049	(10,954)
Profit/(Loss) for the period	43,282	(3,853)	23,017	1,462
Profit/(Loss) attributable to:				
Owners of the Company	27,928	884	11,231	8,491
Non-controlling interests	15,354	(4,737)	11,786	(7,029)
Profit/(Loss) for the period	43,282	(3,853)	23,017	1,462
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	0.33	0.47	(1.85)	1.84
- from discontinued operations	3.79	(0.34)	3.51	(0.58)
Total	4.12	0.13	1.66	1.26

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2016 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Profit/(Loss) for the period	43,282	(3,853)	23,017	1,462
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	8,982	7,460	5,648	6,394
Total other comprehensive income/(expense)	8,982	7,460	5,648	6,394
Total comprehensive income/(expense) for the period	52,264	3,607	28,665	7,856
Total comprehensive income/(expense) attributable to:				
Owners of the Company	31,719	14,505	3,906	22,665
Non-controlling interests	20,545	(10,898)	24,759	(14,809)
Total comprehensive income/(expense) for the period	52,264	3,607	28,665	7,856

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2016 - UNAUDITED**

	Attributable to Owners of the Company						Distributable		Non-controlling interests	Total equity
	Non – distributable						Retained earnings	Total		
	Share capital	Share premium	Translation reserve	Share option reserve	Capital reserve	Treasury shares				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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 option exercised	1,527	637	-	(520)	-	-	-	1,644	-	1,644
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
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
At 1 January 2016	338,847	85,618	10,797	-	102,377	(3,499)	42,608	576,748	27,213	603,961
Total comprehensive income for the period	-	-	(7,325)	-	-	-	11,231	3,906	24,759	28,665
Own shares acquired	-	-	-	-	-	(8,055)	-	(8,055)	-	(8,055)
Disposal of interest in subsidiaries	-	-	-	-	(75,045)	-	-	(75,045)	3,672	(71,373)
Government grants transferred to retained earnings	-	-	-	-	(27,332)	-	27,332	-	-	-
Dividends to shareholders	-	-	-	-	-	-	(13,294)	(13,294)	-	(13,294)
Dividends to minority interest	-	-	-	-	-	-	-	-	(16,310)	(16,310)
At 30 June 2016	338,847	85,618	3,472	-	-	(11,554)	67,877	484,260	39,334	523,594

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2016 - UNAUDITED**

	6 months Ended 30/06/2016 RM'000	6 months Ended 30/06/2015 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax from:		
- continuing operations	(14,161)	14,091
- discontinued operations	<u>38,083</u>	<u>(10,872)</u>
	23,922	3,219
Adjustments for :		
- Non-cash items	(39,412)	(18,279)
- Non-operating items	<u>1,687</u>	<u>(268)</u>
Operating loss before changes in working capital	<u>(13,803)</u>	<u>(15,328)</u>
Changes in working capital	<u>(35,726)</u>	<u>16,428</u>
Cash generated/(used in) operations	<u>(49,529)</u>	<u>1,100</u>
Income taxes paid	(821)	(3,438)
Interest paid	<u>(2,521)</u>	<u>(3,058)</u>
Net cash used in operating activities	<u>(52,871)</u>	<u>(5,396)</u>
<u>Cash flows from investing activities</u>		
- Acquisition of property, plant and equipment	(473)	(2,376)
- Acquisition of associate company	(245)	-
- Capital reduction in a subsidiary	-	(43,150)
- Disposal of discontinued operation	29,654	-
- Dividends received from associated company	4,320	-
- Release of amount placed with debts service reserve accounts	-	-
- Interest received	<u>834</u>	<u>3,327</u>
Net cash from/(used in) investing activities	<u>34,090</u>	<u>(44,041)</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares capital	-	1,644
- Purchase of treasury shares	(8,055)	(927)
- Proceed from resale of treasury shares	-	5,956
- Government grants received	-	9,434
- Proceeds from bank borrowings	4,000	-
- Repayments of bank borrowings	(1,291)	(1,112)
- Dividends paid to owners of the company	(13,294)	-
- Dividends paid to non-controlling interests	(16,870)	(864)
- Payment of hire purchase liabilities	<u>(2,485)</u>	<u>(2,282)</u>
Net cash from/(used in) financing activities	<u>(37,995)</u>	<u>11,849</u>
Net increase/(decrease) in cash and cash equivalents	<u>(56,776)</u>	<u>(37,588)</u>
Cash and cash equivalents at beginning of period	277,650	293,392
Exchange differences on translation of the financial statements of foreign entities	<u>8,823</u>	<u>5,944</u>
Cash and cash equivalents at end of period	<u>229,697</u>	<u>261,748</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2016 – UNAUDITED**

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

	6 months Ended 30/06/2016 RM'000	6 months Ended 30/06/2015 RM'000
Cash and bank balances	147,602	104,287
Deposits placed with licensed banks	85,585	159,074
Bank overdrafts	(3,490)	(1,613)
	<u>229,697</u>	<u>261,748</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2016

(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 2015 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 2016.

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

- MFRS 14, *Regulatory Deferral Accounts**
- 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*, 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*
- 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

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

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

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

- 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 those marked with * which are not applicable to the Group and the Company.
- 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 is 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 is 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 2015 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 2016.

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 2016 other than:

a) Share buy-back

The Company repurchased 13,799,300 ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.58 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 RM8.05 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.

7. Dividends Paid

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

	Cumulative Quarter To-date 30/06/16 RM'000
First and special final single tier dividend of 2.0 sen per share in respect of financial year ended 31 December 2015 was paid on 15 June 2016	13,294



8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 June 2016 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	362	2,718	(2,398)	(2,006)	(1,324)	38,279	36,955
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	30,262	777	6,519	-	37,558	27,079	64,638
Share of profit of associate	-	2,071	(156)	-	1,914	-	1,914
Share of profit of joint venture	5,888	-	(1,628)	-	4,260	-	4,260
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(465)	-	(2,282)	(63)	(2,810)	(129)	(2,939)
Finance costs	(41)	-	(100)	(2,299)	(2,440)	(81)	(2,521)
Finance income	566	2	247	5	820	14	834
Income tax expense	(757)	(1)	(16)	(97)	(871)	(34)	(905)
Segment assets	373,920	25,636	146,632	174,304	720,492	-	720,492
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	25,197	(92)	-	25,105	-	25,105
Investment in joint venture	9,091	-	17,993	-	27,084	-	27,084
Additions to non-current assets other than financial instruments and deferred tax assets	68	-	1,697	-	1,765	111	1,876



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

	RM'000
Profit	
Total profit for reportable segments	(1,324)
Depreciation and amortisation	(2,810)
Finance costs	(2,440)
Finance income	820
Unrealised/ realised foreign exchange gain	(5,875)
Unallocated expenses:	
Corporate expenses	(2,532)
Consolidated profit/(loss) before tax from continuing operations	(14,161)
Profit from discontinued operations, net of tax	38,049
Consolidated profit before tax	<u>23,888</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 2016. 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 August 2016 (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 Development Sdn Bhd ("SDSB"), a wholly-owned subsidiary of Salcon has on 27 June 2016 incorporated a wholly-owned subsidiary in Victoria, Australia known as Salcon Development (Australia) Pty Ltd ["SDAPL"].

The initial issued and paid-up share capital of SDAPL is AUD100.00 comprising 100 ordinary shares of AUD1.00 each. The intended principal activity of SDAPL is property development.

The incorporation of SDAPL does not have any effect on the share capital and substantial shareholders' shareholdings of Salcon. It is also not expected to have any material effect on the net assets, gearing and earnings of Salcon for the financial year ending 31 December 2016.



12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 30 June 2016 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	54,500
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	484,260
No. of shares	<u>677,694</u>
NA per share (RM)	<u>0.71</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 30/06/2016 RM'000	Cumulative Quarter To-date 30/06/2016 RM'000
Continuing operations		
Malaysian - current period	392	871
	<u>392</u>	<u>871</u>

The Group's higher effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) is mainly due to tax underprovided in prior years.

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)

Salcon Water had on 25 April 2016 mutually agreed with BEWG to proceed with the completion of the proposed disposals of the entire issued and paid-up share capital of Salcon Fujian (HK) Limited, Salcon Zhejiang (HK) Limited and Salcon Shandong (HK) Limited, in accordance with Clause 4.6 of SPA-B. Furthermore, in accordance with Clause 4.6 of SPA-B, the Company and Salcon Water had also on even date mutually agreed with BEWG to terminate the proposed disposal of the entire issued and paid-up share capital of Salcon Linyi (HK) Limited (“Given Up Target-B”), in view that certain Conditions-B in respect of Salcon Linyi (HK) Limited have not been fulfilled or waived. For information purposes, the disposal consideration in respect of the Given Up Target-B is RMB130 million.

The status of the utilisation of the proceeds as at 18 August 2016 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	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Future investments	230,000	(58,955)	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	(10,397)	Within 24 months	Nil	Nil	Completed
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	Within 3 months	(64)	4	Completed
Total	369,374	(208,949)		-	-	-

Salcon together with Salcon Water (Asia) Limited (“SWA”), a 60%-owned subsidiary of the Company, had on 26 April 2016 entered into a Share Sale and Purchase Agreement with Orient Harmony Holdings Limited (“OHHK”) for the disposal by Salcon and SWA of 40,345,802 shares of HK\$1.00 each fully paid up in Salcon Linyi (HK) Limited (“SLHK”), representing 100% of the total issued and paid-up share capital of SLHK to OHHK for a total cash sale consideration of RMB98,000,000.00 only.



SALCON BERHAD (Company No: 593796-T)

The status of the utilisation of the proceeds as at 18 August 2016 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	Amount Allocated	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Future investments	24,753	-	Within 24 months	Nil	Nil	Not Completed
Working capital	10,609	(10,609)	Within 24 months	Nil	Nil	Completed
Total	35,362	(10,609)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2016 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	66,111	934	67,045
Finance lease creditors	2,248	-	2,248
	<u>68,359</u>	<u>934</u>	<u>69,293</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	3,490	3,490
Revolving credits	-	4,000	4,000
Term loan	4,474	-	4,474
Finance lease creditors	1,548	-	1,548
	<u>6,022</u>	<u>7,490</u>	<u>13,512</u>
Total Group Borrowings	<u>74,381</u>	<u>8,424</u>	<u>82,805</u>

4. Changes in Material Litigation

There was no material update as at 18 August 2016 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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 RM485,000 as compared to loss before tax of RM14.65 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was higher by 47% as compared to the immediate preceding quarter. Lower contributions on the gross profit has resulted a loss before tax of RM32,000 as compared to profit before tax of RM63,000 in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded loss before tax of RM2.50 million in the current financial quarter as compared to loss before tax of RM1.86 million due to higher operating expenses in the current quarter.

In the Concessions Division, revenue increased marginally by 8% and profit before tax increased by 16% as compared with the immediate preceding quarter due to higher contributions from the associated company in Vietnam.

For the Trading and Services Division, revenue increased by 1%. However, lower losses from the joint venture in the current quarter has resulted in a loss before tax of RM2.19 million as compared to loss before tax of RM2.31 million in the same period of the immediate preceding quarter.

Lower revenue was recorded in the discontinued concessions operations by 22%. However, the Division recorded profit before tax of RM43.19 million as compared to loss before tax of RM5.11 million in the same period of the immediate preceding quarter due to disposal of subsidiaries in the current quarter.

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 RM21.70 million as compared to RM21.89 million for the same period in the preceding year or a decreased of 1%. Profit before taxation of RM485,000 was recorded in the current financial quarter as compared to profit before tax of RM3.60 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 1% as compared to the same period in the preceding year. Lower contributions from joint venture projects has resulted the Division to incurred loss of RM32,000 as compared to profit before tax of RM2.69 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM2.50 million as compared to loss before tax of RM3.03 million for the same period in the preceding year due to lower finance costs in the current financial quarter.

In the Concessions Division, revenue was higher by 21% in current financial quarter due to strengthening of US currency. Profit before tax was RM1.46 million as compared to RM1.18 million for the same period in the preceding year due to higher contributions from the associated companies in the current financial quarter.

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 RM2.19 million as compared to losses of RM330,000 for the same period in the preceding year due to higher operating expenses in the current financial quarter.



Lower revenue was recorded in the discontinued concessions operations by 13%. The Division recorded profit before tax of RM43.19 million as compared to loss before tax of RM6.28 million for the same period in the preceding year due to gain from the disposal of the subsidiaries.

For the cumulative quarter to date, the Group recorded revenue of RM37.56 million as compared to RM43.30 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM14.16 million was recorded in the cumulative quarter to date attributed by the unrealised losses on foreign exchange as compared to profit before tax of RM14.09 million in the corresponding cumulative quarter in the preceding year as attributed mainly by the unrealized gain on foreign exchange.

In the Constructions Division, revenue was 16% lower when compared to the corresponding cumulative quarter in the preceding year. The Division profit before tax was RM31,000 as compared to profit before tax of RM267,000 for the same period in the preceding year due to higher operating expenses in the current cumulative quarter.

In the Property Development Division, it recorded loss before tax of RM4.36 million in the current financial quarter as compared to loss before tax of RM3.16 million due to higher finance cost in the current cumulative quarter.

The Concessions Division recorded revenue and profit before tax of RM778,000 and RM2.72 million as compared to RM666,000 and RM2.45 million respectively in the corresponding cumulative quarter in the preceding year. The improvement of 17% in revenue was due to strengthening of US currency.

The Trading and Services Division recorded revenue of RM6.52 million as compared to RM6.79 million in the corresponding cumulative quarter in the preceding year. The Division recorded loss before tax of RM4.53 million as compared to profit before tax of RM16,000 for the same period in the preceding year due to higher operating expenses in the current cumulative quarter.

Higher revenue was recorded in the discontinued concessions operations by 18%. The Division recorded profit before tax of RM38.08 million as compared to loss before tax of RM10.87 million due to gain from the disposal of the subsidiaries in the current cumulative quarter.

7. Prospects

The Group is pleased with the RM300 million order books secured by the Water and Wastewater Division in the first half of the year.

We are optimistic that Volksbahn Technologies Sdn Bhd, VBT, a subsidiary of the Group which has managed to broaden income stream via the wholesale of fiber termination connectivity business, would contribute positively to the Group's earning in the coming financial year.

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 2016, 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 30/06/2016	Comparative Quarter Ended 30/06/2015	Cumulative Quarter To-date	
			30/06/2016	30/06/2015
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	2,261	3,178	(12,584)	12,440
- discontinued operations	25,667	(2,294)	23,815	(3,949)
	<u>27,928</u>	<u>884</u>	<u>11,231</u>	<u>8,491</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	677,694	674,640	677,694	674,640
Effect of shares issued during the period ('000)	-	1,196	-	651
Weighted average number of ordinary shares ('000)	<u>677,694</u>	<u>675,836</u>	<u>677,694</u>	<u>675,291</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	0.33	0.47	(1.86)	1.84
- discontinued operations	3.79	(0.34)	3.51	(0.58)
Total	<u>4.12</u>	<u>0.13</u>	<u>1.66</u>	<u>1.26</u>

11. Realised and Unrealised Profits

	As at 30/06/2016 RM'000	As at 31/12/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	141,514	56,429
- Unrealised	(6,778)	38,803
	<u>134,736</u>	<u>95,232</u>
Total share of retained earnings from associated company:		
- Realised	11,447	9,534
Total share of (accumulated losses)/retained earnings from joint ventures:		
- Realised	4,097	(163)
	<u>150,280</u>	<u>104,603</u>
Less: Consolidation adjustments	(82,403)	(61,995)
Total Group retained earnings as per consolidated accounts	<u>67,877</u>	<u>42,608</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 30/06/2016 RM'000	Cumulative Quarter Ended 30/06/2016 RM'000
Foreign Exchange Gain	144	550
Foreign Exchange Loss	4,871	(6,486)
Depreciation and amortization	(301)	(608)
	<u>4,714</u>	<u>(6,544)</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 August 2016.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
25 August 2016