



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

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

|                                                           | <b>30/09/2016</b><br><b>RM'000</b> | 31/12/2015<br>RM'000 |
|-----------------------------------------------------------|------------------------------------|----------------------|
| <b>Assets</b>                                             |                                    |                      |
| Property, plant and equipment                             | 59,373                             | 67,947               |
| Intangible assets                                         | 21,831                             | 21,831               |
| Investment properties                                     | 8,485                              | 8,485                |
| Investment in associate                                   | 26,166                             | 27,266               |
| Investment in joint ventures                              | 27,040                             | 23,036               |
| Deferred tax assets                                       | 3,698                              | 3,698                |
| <b>Total non-current assets</b>                           | <b>146,593</b>                     | 152,263              |
| Trade and other receivables, including derivatives        | 163,622                            | 158,835              |
| Inventories                                               | 197,015                            | 163,141              |
| Current tax assets                                        | 1,373                              | 1,034                |
| Assets classified as held for sale                        | -                                  | 197,615              |
| Cash and cash equivalents                                 | 222,984                            | 277,855              |
| <b>Total current assets</b>                               | <b>584,994</b>                     | 798,480              |
| <b>Total assets</b>                                       | <b>731,587</b>                     | 950,743              |
| <b>Equity</b>                                             |                                    |                      |
| Share capital                                             | 338,847                            | 338,847              |
| Reserves                                                  | 73,024                             | 195,293              |
| Retained earnings                                         | 67,122                             | 42,608               |
| <b>Total equity attributable to owners of the Company</b> | <b>478,993</b>                     | 576,748              |
| <b>Non-controlling interests</b>                          | <b>40,497</b>                      | 27,213               |
| <b>Total equity</b>                                       | <b>519,490</b>                     | 603,961              |
| <b>Liabilities</b>                                        |                                    |                      |
| Loans and borrowings                                      | 69,284                             | 68,312               |
| Deferred tax liabilities                                  | 10,218                             | 9,998                |
| <b>Total non-current liabilities</b>                      | <b>79,502</b>                      | 78,310               |
| Trade and other payables, including derivatives           | 123,532                            | 118,062              |
| Loans and borrowings                                      | 7,839                              | 9,693                |
| Current tax liabilities                                   | 1,224                              | 1,227                |
| Liabilities classified as held for sale                   | -                                  | 139,490              |
| <b>Total current liabilities</b>                          | <b>132,595</b>                     | 268,472              |
| <b>Total liabilities</b>                                  | <b>212,097</b>                     | 346,782              |
| <b>Total equity and liabilities</b>                       | <b>731,587</b>                     | 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.



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

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

|                                                                              | Individual Quarter         |                                            | Cumulative Quarter        |                                           |
|------------------------------------------------------------------------------|----------------------------|--------------------------------------------|---------------------------|-------------------------------------------|
|                                                                              | Current<br>Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current<br>Year<br>ToDate | Preceding Year<br>Corresponding<br>Period |
|                                                                              | 30/09/2016<br>RM'000       | 30/09/2015<br>RM'000                       | 30/09/2016<br>RM'000      | 30/09/2015<br>RM'000                      |
| <b>Continuing operations</b>                                                 |                            |                                            |                           |                                           |
| <b>Revenue</b>                                                               | 22,949                     | 22,538                                     | 60,507                    | 65,837                                    |
| Cost of sales                                                                | (18,431)                   | (21,269)                                   | (49,325)                  | (56,877)                                  |
| <b>Gross Profit</b>                                                          | 4,518                      | 1,269                                      | 11,182                    | 8,960                                     |
| Other income                                                                 | 1,738                      | 21,576                                     | 2,509                     | 39,559                                    |
| Distribution expenses                                                        | (389)                      | (602)                                      | (2,400)                   | (1,771)                                   |
| Administrative expenses                                                      | (5,842)                    | (13,395)                                   | (29,981)                  | (29,884)                                  |
| <b>Profit/(Loss) from operating activities</b>                               | 25                         | 8,848                                      | (18,690)                  | 16,864                                    |
| Finance costs                                                                | (1,107)                    | (1,266)                                    | (3,547)                   | (4,183)                                   |
| Finance income                                                               | 278                        | 1,179                                      | 1,098                     | 4,474                                     |
| Share of profit of equity-accounted associate/<br>joint ventures, net of tax | 1,081                      | (1,889)                                    | 7,255                     | 3,808                                     |
| <b>Profit/(Loss) before tax</b>                                              | 277                        | 6,872                                      | (13,884)                  | 20,963                                    |
| Tax expense                                                                  | (1,719)                    | (1,053)                                    | (2,590)                   | (2,728)                                   |
| <b>Profit/(Loss) from continuing operations</b>                              | (1,442)                    | 5,819                                      | (16,474)                  | 18,235                                    |
| <b>Discontinued operations</b>                                               |                            |                                            |                           |                                           |
| Profit/(Loss) from discontinued operations, net of tax                       | (78)                       | (5,012)                                    | 37,971                    | (15,966)                                  |
| <b>Profit/(Loss) for the period</b>                                          | (1,520)                    | 807                                        | 21,497                    | 2,269                                     |
| <b>Profit/(Loss) attributable to:</b>                                        |                            |                                            |                           |                                           |
| Owners of the Company                                                        | (755)                      | 3,514                                      | 10,476                    | 12,005                                    |
| Non-controlling interests                                                    | (765)                      | (2,707)                                    | 11,021                    | (9,736)                                   |
| <b>Profit/(Loss) for the period</b>                                          | (1,520)                    | 807                                        | 21,497                    | 2,269                                     |
| Basic (loss)/earnings per ordinary share (sen)                               |                            |                                            |                           |                                           |
| - from continuing operations                                                 | (0.10)                     | 0.79                                       | (1.96)                    | 2.63                                      |
| - from discontinued operations                                               | (0.01)                     | (0.27)                                     | 3.51                      | (0.85)                                    |
| Total                                                                        | (0.11)                     | 0.52                                       | 1.55                      | 1.78                                      |

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.



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

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

|                                                                                  | Individual Quarter                  |                                            | Cumulative Quarter                 |                                           |
|----------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------|------------------------------------|-------------------------------------------|
|                                                                                  | <b>Current<br/>Year<br/>Quarter</b> | Preceding Year<br>Corresponding<br>Quarter | <b>Current<br/>Year<br/>ToDate</b> | Preceding Year<br>Corresponding<br>Period |
|                                                                                  | <b>30/09/2016<br/>RM'000</b>        | 30/09/2015<br>RM'000                       | <b>30/09/2016<br/>RM'000</b>       | 30/09/2015<br>RM'000                      |
| <b>Profit/(Loss) for the period</b>                                              | <b>(1,520)</b>                      | 807                                        | <b>21,497</b>                      | 2,269                                     |
| <b>Items that are or may be reclassified<br/>subsequently to profit or loss:</b> |                                     |                                            |                                    |                                           |
| Foreign currency translation differences for<br>foreign operations               | <b>5,040</b>                        | 8,543                                      | <b>10,688</b>                      | 14,937                                    |
| <b>Total other comprehensive income/(expense)</b>                                | <b>5,040</b>                        | 8,543                                      | <b>10,688</b>                      | 14,937                                    |
| <b>Total comprehensive income/(expense)<br/>for the period</b>                   | <b>3,520</b>                        | 9,350                                      | <b>32,185</b>                      | 17,206                                    |
| <b>Total comprehensive income/(expense)<br/>attributable to:</b>                 |                                     |                                            |                                    |                                           |
| Owners of the Company                                                            | <b>3,888</b>                        | 13,793                                     | <b>7,794</b>                       | 36,458                                    |
| Non-controlling interests                                                        | <b>(368)</b>                        | (4,443)                                    | <b>24,391</b>                      | (19,252)                                  |
| <b>Total comprehensive income/(expense)<br/>for the period</b>                   | <b>3,520</b>                        | 9,350                                      | <b>32,185</b>                      | 17,206                                    |

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 THIRD QUARTER ENDED 30 SEPTEMBER 2016 - UNAUDITED**

|                                                    | ← Attributable to Owners of the Company → |               |                     |                      |                 |                 | Retained earnings | Total          | Non-controlling interests | Total equity   |
|----------------------------------------------------|-------------------------------------------|---------------|---------------------|----------------------|-----------------|-----------------|-------------------|----------------|---------------------------|----------------|
|                                                    | ← Non – distributable →                   |               |                     | Distributable        |                 |                 |                   |                |                           |                |
|                                                    | 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                    |                |
| <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 option exercised                             | 1,527                                     | 681           | -                   | (522)                | -               | -               | -                 | 1,686          | -                         | 1,686          |
| 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         |
| 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>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> |
| <b>At 1 January 2016</b>                           | 338,847                                   | 85,618        | 10,797              | -                    | 102,377         | (3,499)         | 42,608            | 576,748        | 27,213                    | 603,961        |
| Total comprehensive income                         |                                           |               |                     |                      |                 |                 |                   |                |                           |                |
| for the period                                     | -                                         | -             | (2,682)             | -                    | -               | -               | 10,476            | 7,794          | 24,391                    | 32,185         |
| Own shares acquired                                | -                                         | -             | -                   | -                    | -               | -               | -                 | -              | -                         | -              |
| Disposal of interest in subsidiaries               | -                                         | -             | -                   | -                    | (75,045)        | (17,210)        | -                 | (92,255)       | 3,672                     | (88,583)       |
| Government grants transferred to retained earnings | -                                         | -             | -                   | -                    | (27,332)        | -               | 27,332            | -              | -                         | -              |
| Dividends to shareholders                          | -                                         | -             | -                   | -                    | -               | -               | (13,294)          | (13,294)       | -                         | (13,294)       |
| Dividends to minority interest                     | -                                         | -             | -                   | -                    | -               | -               | -                 | -              | (14,779)                  | (14,779)       |
| <b>At 30 September 2016</b>                        | <b>338,847</b>                            | <b>85,618</b> | <b>8,115</b>        | <b>-</b>             | <b>-</b>        | <b>(20,709)</b> | <b>67,122</b>     | <b>478,993</b> | <b>40,497</b>             | <b>519,490</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 2015 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 2016 - UNAUDITED**

|                                                                                        | <b>9 months<br/>Ended<br/>30/09/2016<br/>RM'000</b> | 9 months<br>Ended<br>30/09/2015<br>RM'000 |
|----------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------|
| <b><u>Cash flows from operating activities</u></b>                                     |                                                     |                                           |
| Profit/(Loss) before tax from:                                                         |                                                     |                                           |
| - continuing operations                                                                | <b>(13,884)</b>                                     | 20,963                                    |
| - discontinued operations                                                              | <b>38,005</b>                                       | (15,881)                                  |
|                                                                                        | <b>24,121</b>                                       | 5,082                                     |
| Adjustments for :                                                                      |                                                     |                                           |
| - Non-cash items                                                                       | <b>(43,044)</b>                                     | (36,667)                                  |
| - Non-operating items                                                                  | <b>2,517</b>                                        | (122)                                     |
| Operating loss before changes in working capital                                       | <b>(16,406)</b>                                     | (31,707)                                  |
| Changes in working capital                                                             | <b>(31,485)</b>                                     | 34,430                                    |
| Cash generated/(used in) operations                                                    | <b>(47,891)</b>                                     | 2,723                                     |
| Income taxes paid                                                                      | <b>(2,495)</b>                                      | (3,089)                                   |
| Interest paid                                                                          | <b>(3,628)</b>                                      | (4,402)                                   |
| <b>Net cash used in operating activities</b>                                           | <b>(54,014)</b>                                     | (4,768)                                   |
| <b><u>Cash flows from investing activities</u></b>                                     |                                                     |                                           |
| - Proceeds from disposal of property, plant and equipment                              | -                                                   | 72                                        |
| - Acquisition of property, plant and equipment                                         | <b>(930)</b>                                        | (3,523)                                   |
| - Acquisition of associate company                                                     | <b>(245)</b>                                        | (49)                                      |
| - Capital reduction in a subsidiary                                                    | -                                                   | (43,149)                                  |
| - Disposal of discontinued operation                                                   | <b>29,576</b>                                       | -                                         |
| - Dividends received from associated company                                           | <b>4,320</b>                                        | -                                         |
| - Interest received                                                                    | <b>1,112</b>                                        | 4,524                                     |
| <b>Net cash from/(used in) investing activities</b>                                    | <b>33,833</b>                                       | (42,125)                                  |
| <b><u>Cash flows from financing activities</u></b>                                     |                                                     |                                           |
| - Net proceeds from issue of shares capital                                            | -                                                   | 1,686                                     |
| - Purchase of treasury shares                                                          | <b>(17,210)</b>                                     | (4,316)                                   |
| - Proceed from resale of treasury shares                                               | -                                                   | 5,956                                     |
| - Government grants received                                                           | -                                                   | 25,660                                    |
| - Proceeds from bank borrowings                                                        | <b>4,000</b>                                        | -                                         |
| - Repayments of bank borrowings                                                        | <b>(6,034)</b>                                      | (3,359)                                   |
| - Dividends paid to owners of the company                                              | <b>(13,294)</b>                                     | (20,325)                                  |
| - Dividends paid to non-controlling interests                                          | <b>(15,339)</b>                                     | (1,148)                                   |
| - Payment of hire purchase liabilities                                                 | <b>(3,861)</b>                                      | (3,468)                                   |
| <b>Net cash from/(used in) financing activities</b>                                    | <b>(51,738)</b>                                     | 686                                       |
| Net increase/(decrease) in cash and cash equivalents                                   | <b>(71,919)</b>                                     | (46,207)                                  |
| Cash and cash equivalents at beginning of period                                       | <b>277,650</b>                                      | 293,392                                   |
| Exchange differences on translation of the<br>financial statements of foreign entities | <b>13,960</b>                                       | 9,034                                     |
| <b>Cash and cash equivalents at end of period</b>                                      | <b>219,691</b>                                      | 256,219                                   |

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.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2016 – UNAUDITED**

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

|                                     | <b>9 months<br/>Ended<br/>30/09/2016<br/>RM'000</b> | 9 months<br>Ended<br>30/09/2015<br>RM'000 |
|-------------------------------------|-----------------------------------------------------|-------------------------------------------|
| Cash and bank balances              | <b>95,839</b>                                       | 44,026                                    |
| Deposits placed with licensed banks | <b>127,145</b>                                      | 212,840                                   |
| Bank overdrafts                     | <b>(3,293)</b>                                      | (647)                                     |
|                                     | <b><u>219,691</u></b>                               | <u>256,219</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.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2016 other than:

a) Share buy-back

The Company repurchased 28,629,300 ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.60 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 RM17.21 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 September 2016 is as follows:-

|                                                                                                                                                | <b>Cumulative<br/>Quarter To-date<br/>30/09/16<br/>RM'000</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 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                                                        |

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## 8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 September 2016 are as follows:-

|                                                                                                       | <b>Constructions<br/>RM'000</b> | <b>Concessions<br/>RM'000</b> | <b>Trading &amp;<br/>Services<br/>RM'000</b> | <b>Property<br/>Development<br/>RM'000</b> | <b>Total<br/>Continuing<br/>Operations<br/>RM'000</b> | <b>Discontinued<br/>Operations<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|-------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------|----------------------------------------------|--------------------------------------------|-------------------------------------------------------|-----------------------------------------------|--------------------------------|
| <b>Segment profit</b>                                                                                 | (1,038)                         | 4,229                         | (1,720)                                      | (3,011)                                    | (1,540)                                               | 38,201                                        | 36,661                         |
| <i>Included in the measure<br/>of segment profit are:</i>                                             |                                 |                               |                                              |                                            |                                                       |                                               |                                |
| Revenue from external customers                                                                       | 48,362                          | 1,203                         | 10,942                                       | -                                          | 60,507                                                | 27,079                                        | 87,586                         |
| Share of profit of associate                                                                          | -                               | 3,193                         | (217)                                        | -                                          | 2,976                                                 | -                                             | 2,976                          |
| Share of profit of joint venture                                                                      | 6,500                           | -                             | (2,221)                                      | -                                          | 4,279                                                 | -                                             | 4,279                          |
| <i>Not included in the measure of<br/>segment profit but provided<br/>to Chief Operating Officer:</i> |                                 |                               |                                              |                                            |                                                       |                                               |                                |
| Depreciation and amortization                                                                         | (735)                           | -                             | (3,444)                                      | (69)                                       | (4,248)                                               | (129)                                         | (4,377)                        |
| Finance costs                                                                                         | (61)                            | -                             | (95)                                         | (3,391)                                    | (3,547)                                               | (81)                                          | (3,628)                        |
| Finance income                                                                                        | 802                             | 4                             | 280                                          | 12                                         | 1,098                                                 | 14                                            | 1,112                          |
| Income tax expense                                                                                    | (2,260)                         | (1)                           | (39)                                         | (290)                                      | (2,590)                                               | (34)                                          | (2,624)                        |
| <b>Segment assets</b>                                                                                 | <b>365,175</b>                  | <b>26,560</b>                 | <b>148,865</b>                               | <b>190,987</b>                             | <b>731,587</b>                                        | <b>-</b>                                      | <b>731,587</b>                 |
| <i>Included in the measure of<br/>segment assets are:</i>                                             |                                 |                               |                                              |                                            |                                                       |                                               |                                |
| Investment in associate                                                                               | -                               | 26,319                        | (153)                                        | -                                          | 26,166                                                | -                                             | 26,166                         |
| Investment in joint venture                                                                           | 9,640                           | -                             | 17,400                                       | -                                          | 27,040                                                | -                                             | 27,040                         |
| Additions to non-current assets other<br>than financial instruments and<br>deferred tax assets        | 305                             | -                             | 2,548                                        | 1                                          | 2,854                                                 | 111                                           | 2,965                          |



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

|                                                                  | <b>RM'000</b>        |
|------------------------------------------------------------------|----------------------|
| <b>Profit</b>                                                    |                      |
| Total profit for reportable segments                             | (1,540)              |
| Depreciation and amortisation                                    | (4,248)              |
| Finance costs                                                    | (3,547)              |
| Finance income                                                   | 1,098                |
| Unrealised/ realised foreign exchange gain                       | (1,937)              |
| Unallocated expenses:                                            |                      |
| Corporate expenses                                               | (3,710)              |
| Consolidated profit/(loss) before tax from continuing operations | <u>(13,884)</u>      |
| Profit from discontinued operations, net of tax                  | <u>37,971</u>        |
| Consolidated profit before tax                                   | <u><u>24,087</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 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 15 November 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.

- (ii) Salcon Water International Limited ("SWIL"), a wholly-owned subsidiary of Salcon has on 18 August 2016 entered into a Subscription Agreement with Circlac Interactive Sdn Bhd ("CISB") to subscribe for 4,643 ordinary shares of RM1.00 each in CISB, representing 65% of the enlarged issued and paid-up share capital of CISB for a total cash consideration of RM4,643.00 ("Subscription"). Following the Subscription, CISB becomes a 65%-owned subsidiary of Salcon.



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

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

|                                                                                                   | <b>RM'000</b> |
|---------------------------------------------------------------------------------------------------|---------------|
| Bank guarantees given to third parties relating to performance, tenders and advance payment bonds | 47,649        |
| 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 | 478,993        |
| 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<br>Quarter<br>Ended<br>30/06/2016<br>RM'000 | Cumulative<br>Quarter<br>To-date<br>30/06/2016<br>RM'000 |
|----------------------------|-----------------------------------------------------|----------------------------------------------------------|
| Continuing operations      |                                                     |                                                          |
| Malaysian - current period | 834                                                 | 1,705                                                    |
| - prior years              | 885                                                 | 885                                                      |
|                            | <u>1,719</u>                                        | <u>2,590</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 15 November 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     |
| <b>Total</b>                                            | <b>369,374</b>       | <b>(208,949)</b>   |                                     | <b>-</b>  | <b>-</b> | <b>-</b>      |

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 15 November 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           | (5,341)            | Within 24 months                    | Nil       | Nil | Not Completed |
| Working capital    | 10,609           | (10,609)           | Within 24 months                    | Nil       | Nil | Completed     |
| <b>Total</b>       | <b>35,362</b>    | <b>(15,950)</b>    |                                     | -         | -   | -             |

**3. Group Borrowings and Debt Securities**

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

|                               | Secured<br>RM'000    | Unsecured<br>RM'000 | Total<br>RM'000      |
|-------------------------------|----------------------|---------------------|----------------------|
| <u>Long Term Borrowings</u>   |                      |                     |                      |
| Term loan                     | 66,111               | 904                 | 67,015               |
| Finance lease creditors       | 2,269                | -                   | 2,269                |
|                               | <u>68,380</u>        | <u>904</u>          | <u>69,284</u>        |
| <u>Short Term Borrowings</u>  |                      |                     |                      |
| Bank overdrafts               | -                    | 3,293               | 3,293                |
| Revolving credits             | -                    | -                   | -                    |
| Term loan                     | 3,762                | -                   | 3,762                |
| Finance lease creditors       | 784                  | -                   | 784                  |
|                               | <u>4,546</u>         | <u>3,293</u>        | <u>7,839</u>         |
| <b>Total Group Borrowings</b> | <u><u>72,926</u></u> | <u><u>4,197</u></u> | <u><u>77,123</u></u> |

**4. Changes in Material Litigation**

There was no material update as at 15 September 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 6% and has recorded a profit before tax of RM277,000 million as compared to profit before tax of RM485,000 in the immediate preceding quarter.

No changes in the revenue of the Constructions Division as compared to the immediate preceding quarter. Lower contributions from the share of profit from joint ventures has resulted a loss before tax of RM1.61 million as compared to loss before tax of RM32,000 in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded loss before tax of RM2.10 million in the current financial quarter as compared to loss before tax of RM2.50 million due to lower operating expenses in the current quarter.

In the Concessions Division, revenue increased marginally by 5% and profit before tax increased by 4% as compared with the immediate preceding quarter due to higher gross profit.

For the Trading and Services Division, revenue increased by 35%. The increase in revenue has resulted a lower loss before tax of RM446,000 as compared to loss before tax of RM2.19 million in the same period of the immediate preceding quarter.

No revenue was recorded in the current financial quarter as the discontinued concessions has been disposed-off in the immediate preceding quarter. The Division recorded loss before tax of RM78,000 as compared to profit before tax of RM43.19 million in the same period of the immediate preceding quarter due to gain in disposal of subsidiaries in the immediate preceding quarter.

**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 RM22.95 million as compared to RM22.54 million for the same period in the preceding year or an increase of 2%. Profit before tax of RM277,000 was recorded in the current financial quarter as compared to profit before tax of RM6.87 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 4% as compared to the same period in the preceding year. Higher gross profit has reduced the loss before tax by the Division to RM1.61 million as compared to loss before tax of RM7.65 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM2.10 million as compared to loss before tax of RM2.27 million for the same period in the preceding year due to lower operating expenses in the current financial quarter.

In the Concessions Division, revenue was higher by 11% in current financial quarter due to strengthening of US currency. Profit before tax was RM1.51 million as compared to RM1.45 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 higher by 33% as compared to the same period in the preceding year. The Division recorded loss before tax of RM446,000 as compared to losses of RM7.55 million for the same period in the preceding year due to higher accrual on the operational expenses in the preceding year.





No revenue was recorded in the current financial quarter as the discontinued concessions has been disposed-off in the immediate preceding quarter. The Division recorded loss before tax of RM78,000 as compared to loss before tax of RM5.01 million 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 in the preceding year.

For the cumulative quarter to date, the Group recorded revenue of RM60.51 million as compared to RM65.84 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM13.88 million was recorded in the cumulative quarter to date attributed by the unrealised losses on foreign exchange as compared to profit before tax of RM20.96 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 12% lower when compared to the corresponding cumulative quarter in the preceding year. The Division's loss before tax was RM1.58 million as compared to loss before tax of RM7.38 million for the same period in the preceding year due to higher share of profit of joint ventures in the current cumulative quarter.

In the Property Development Division, it recorded loss before tax of RM6.46 million in the current financial quarter as compared to loss before tax of RM5.43 million due to higher operating expenses in the current cumulative quarter.

The Concessions Division recorded revenue and profit before tax of RM1.20 million and RM4.23 million as compared to RM1.05 million and RM3.90 million respectively in the corresponding cumulative quarter in the preceding year. The improvement of 15% in revenue was due to strengthening of US currency.

The Trading and Services Division recorded revenue of RM10.94 million as compared to RM10.11 million in the corresponding cumulative quarter in the preceding year. The Division recorded loss before tax of RM4.98 million as compared to loss before tax of RM7.53 million for the same period in the preceding year due to higher operating expenses in the preceding year.

Lower revenue was recorded in the discontinued concessions operations by 22%. The Division recorded profit before tax of RM38.00 million as compared to loss before tax of RM15.88 million due to gain from the disposal of the subsidiaries in the current cumulative quarter.

## **7. Prospects**

The Group is optimistic with the prospect of newly diversified e-commerce travel and tourism business, which is leveraging on the massive China outbound tourism market. The acquired subsidiary is appointed by Alitrip, a business unit within Alibaba Group as the sole operator of the Alitrip Malaysia Tourism Pavilion.

## **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 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<br>Quarter<br>Ended<br>30/09/2016 | Comparative<br>Quarter<br>Ended<br>30/09/2015 | Cumulative<br>Quarter<br>To-date |                |
|---------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------|----------------------------------|----------------|
|                                                                     |                                           |                                               | 30/09/2016                       | 30/09/2015     |
| Profit/(Loss) attributable to equity holders of the parent (RM'000) |                                           |                                               |                                  |                |
| - continuing operations                                             | (708)                                     | 5,319                                         | (13,292)                         | 17,759         |
| - discontinued operations                                           | (47)                                      | (1,805)                                       | 23,768                           | (5,754)        |
|                                                                     | <u>(755)</u>                              | <u>3,514</u>                                  | <u>10,476</u>                    | <u>12,005</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)                    | -                                         | 3,054                                         | -                                | 1,439          |
| Weighted average number of ordinary shares ('000)                   | <u>677,694</u>                            | <u>677,694</u>                                | <u>677,694</u>                   | <u>676,079</u> |
| Basic (loss)/earnings per share (sen)                               |                                           |                                               |                                  |                |
| - continuing operations                                             | (0.10)                                    | 0.79                                          | (1.96)                           | 2.63           |
| - discontinued operations                                           | (0.01)                                    | (0.27)                                        | 3.51                             | (0.85)         |
| Total                                                               | <u>(0.11)</u>                             | <u>0.52</u>                                   | <u>1.55</u>                      | <u>1.78</u>    |

## 11. Realised and Unrealised Profits

|                                                                            | As at<br>30/09/2016<br>RM'000 | As at<br>31/12/2015<br>RM'000 |
|----------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Total retained earnings of the Company and its subsidiaries:               |                               |                               |
| - Realised                                                                 | 136,196                       | 56,429                        |
| - Unrealised                                                               | (2,341)                       | 38,803                        |
|                                                                            | <u>133,855</u>                | <u>95,232</u>                 |
| Total share of retained earnings from associated company:                  |                               |                               |
| - Realised                                                                 | 12,509                        | 9,534                         |
| Total share of (accumulated losses)/retained earnings from joint ventures: |                               |                               |
| - Realised                                                                 | 4,115                         | (163)                         |
|                                                                            | <u>150,479</u>                | <u>104,603</u>                |
| Less: Consolidation adjustments                                            | (83,357)                      | (61,995)                      |
| Total Group retained earnings as per consolidated accounts                 | <u>67,122</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<br>Quarter<br>Ended<br>30/09/2016<br>RM'000 | Cumulative<br>Quarter<br>Ended<br>30/09/2016<br>RM'000 |
|-------------------------------|-----------------------------------------------------|--------------------------------------------------------|
| Foreign Exchange Gain         | 1,908                                               | 2,458                                                  |
| Foreign Exchange Loss         | 2,071                                               | (4,415)                                                |
| Depreciation and amortization | (273)                                               | (881)                                                  |
|                               | <u>3,706</u>                                        | <u>(2,838)</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 22 November 2016.

**ON BEHALF OF THE BOARD**

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

Selangor Darul Ehsan  
22 November 2016