



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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT 31 MARCH 2018 - UNAUDITED**

	<b>31/03/2018</b>	31/12/2017
	<b>RM'000</b>	RM'000
<b>Assets</b>		
Property, plant and equipment	<b>40,040</b>	61,953
Intangible assets	<b>21,831</b>	21,831
Investment properties	<b>8,201</b>	8,201
Investment in associate	<b>38,638</b>	42,726
Investment in joint ventures	<b>50,579</b>	49,190
Other investments	<b>473</b>	540
Deferred tax assets	<b>3,698</b>	3,698
<b>Total non-current assets</b>	<b>163,460</b>	188,139
Trade and other receivables, including derivatives	<b>182,467</b>	161,250
Inventories	<b>141,843</b>	142,054
Current tax assets	<b>2,944</b>	3,651
Cash and cash equivalents	<b>111,105</b>	133,811
<b>Total current assets</b>	<b>438,359</b>	440,766
<b>Total assets</b>	<b>601,819</b>	628,905
<b>Equity</b>		
Share capital	<b>424,465</b>	424,465
Reserves	<b>11,240</b>	10,922
Retained earnings	<b>15,098</b>	22,770
<b>Total equity attributable to owners of the Company</b>	<b>450,803</b>	458,157
<b>Non-controlling interests</b>	<b>24,857</b>	26,971
<b>Total equity</b>	<b>475,660</b>	485,128
<b>Liabilities</b>		
Loans and borrowings	<b>5,164</b>	5,741
Deferred tax liabilities	<b>6,821</b>	7,299
<b>Total non-current liabilities</b>	<b>11,985</b>	13,040
Trade and other payables, including derivatives	<b>59,117</b>	69,797
Loans and borrowings	<b>54,932</b>	60,887
Current tax liabilities	<b>125</b>	53
<b>Total current liabilities</b>	<b>114,174</b>	130,737
<b>Total liabilities</b>	<b>126,159</b>	143,777
<b>Total equity and liabilities</b>	<b>601,819</b>	628,905
Net assets per share (RM)	<b>0.67</b>	0.71

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 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 FIRST QUARTER ENDED 31 MARCH 2018 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/03/2018 RM'000</b>	31/03/2017 RM'000	<b>31/03/2018 RM'000</b>	31/03/2017 RM'000
<b>Revenue</b>	<b>21,380</b>	19,415	<b>21,380</b>	19,415
Cost of sales	<b>(15,296)</b>	(9,850)	<b>(15,296)</b>	(9,850)
<b>Gross Profit</b>	<b>6,084</b>	9,565	<b>6,084</b>	9,565
Other income	<b>2,329</b>	1,835	<b>2,329</b>	1,835
Other expenses	<b>(68)</b>	-	<b>(68)</b>	-
Distribution expenses	<b>(737)</b>	(2,175)	<b>(737)</b>	(2,175)
Administrative expenses	<b>(16,985)</b>	(14,552)	<b>(16,985)</b>	(14,552)
<b>Profit/(Loss) from operating activities</b>	<b>(9,377)</b>	(5,327)	<b>(9,377)</b>	(5,327)
Finance costs	<b>(1,475)</b>	(1,086)	<b>(1,475)</b>	(1,086)
Finance income	<b>426</b>	765	<b>426</b>	765
Share of profit of equity-accounted associate/ joint ventures, net of tax	<b>1,754</b>	1,410	<b>1,754</b>	1,410
<b>Profit/(Loss) before tax</b>	<b>(8,672)</b>	(4,238)	<b>(8,672)</b>	(4,238)
Tax expense	<b>(966)</b>	(139)	<b>(966)</b>	(139)
<b>Profit/(Loss) for the period</b>	<b>(9,638)</b>	(4,377)	<b>(9,638)</b>	(4,377)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	<b>(7,672)</b>	(3,799)	<b>(7,672)</b>	(3,799)
Non-controlling interests	<b>(1,966)</b>	(578)	<b>(1,966)</b>	(578)
<b>Profit/(Loss) for the period</b>	<b>(9,638)</b>	(4,377)	<b>(9,638)</b>	(4,377)
Basic (loss)/earnings per ordinary share (sen)	<b>(1.14)</b>	(0.59)	<b>(1.14)</b>	(0.59)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/03/2018 RM'000</b>	31/03/2017 RM'000	<b>31/03/2018 RM'000</b>	31/03/2017 RM'000
<b>Profit/(Loss) for the period</b>	<b>(9,638)</b>	(4,377)	<b>(9,638)</b>	(4,377)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>202</b>	(1,612)	<b>202</b>	(1,612)
<b>Total other comprehensive income/(expense)</b>	<b>202</b>	(1,612)	<b>202</b>	(1,612)
<b>Total comprehensive income/(expense) for the period</b>	<b>(9,436)</b>	(5,989)	<b>(9,436)</b>	(5,989)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>(16,210)</b>	22,223	<b>(7,322)</b>	(2,168)
Non-controlling interests	<b>6,774</b>	(28,212)	<b>(2,114)</b>	(3,821)
<b>Total comprehensive income/(expense) for the period</b>	<b>(9,436)</b>	(5,989)	<b>(9,436)</b>	(5,989)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 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 FIRST QUARTER ENDED 31 MARCH 2018 – UNAUDITED**

	← Attributable to Owners of the Company →					Total	Non- controlling interests	Total equity
	← Non – distributable		→ Distributable					
	Share capital	Share premium	Translation reserve	Treasury shares	Retained earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2017</b>	338,847	85,618	12,525	(21,498)	68,490	483,982	39,126	523,108
Total comprehensive income								
for the period	-	-	1,631	-	(3,799)	(2,168)	(3,821)	(5,989)
Own shares acquired	-	-	-	(267)	-	(267)	-	(267)
Acquisition of subsidiaries	-	-	-	-	-	-	1,381	1,381
Issuance of shares to non-controlling interest	-	-	-	-	-	-	4,855	4,855
Capital reduction in a subsidiary	-	-	-	-	-	-	(6,366)	(6,366)
Transfer in accordance with Section 618(2) of the Companies Act 2016 <sup>(1)</sup>	85,618	(85,618)						
<b>At 31 March 2017</b>	<b>424,465</b>	<b>-</b>	<b>14,156</b>	<b>(21,765)</b>	<b>64,691</b>	<b>481,547</b>	<b>35,175</b>	<b>516,722</b>
<b>At 1 January 2018</b>	424,465	-	12,865	(1,943)	22,770	458,157	26,971	485,128
Total comprehensive income								
for the period	-	-	350	-	(7,672)	(7,322)	(2,114)	(9,436)
Own shares acquired	-	-	-	(32)	-	(32)	-	(32)
<b>At 31 March 2018</b>	<b>424,465</b>	<b>-</b>	<b>13,215</b>	<b>(1,975)</b>	<b>15,098</b>	<b>450,803</b>	<b>24,857</b>	<b>475,660</b>

**Note**

<sup>(1)</sup> In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018 - UNAUDITED**

	<b>3 months Ended 31/03/2018 RM'000</b>	<b>3 months Ended 31/03/2017 RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax	(8,672)	(4,238)
Adjustments for :		
- Non-cash items	1,548	(2,755)
- Non-operating items	1,049	322
Operating loss before changes in working capital	<u>(6,075)</u>	<u>(6,671)</u>
Changes in working capital	<u>(31,685)</u>	<u>36,680</u>
Cash generated from/(used in) operations	<u>(37,760)</u>	<u>30,009</u>
Income taxes paid	(665)	(1,588)
<b>Net cash from/(used in) operating activities</b>	<b><u>(38,425)</u></b>	<b><u>28,421</u></b>
<b><u>Cash flows from investing activities</u></b>		
- Proceeds from disposal of property, plant and equipment	23,130	82
- Acquisition of property, plant and equipment	(612)	(142)
- Acquisition of land held for property development	-	(136,452)
- Acquisition of subsidiary, net of cash acquired	-	(4,580)
- Capital reduction in a subsidiary	-	(5,143)
- Dividends received from associated company	4,452	-
- Interest received	426	765
<b>Net cash from/(used in) investing activities</b>	<b><u>27,396</u></b>	<b><u>(145,470)</u></b>
<b><u>Cash flows from financing activities</u></b>		
- Repurchase of treasury shares	(33)	(267)
- Drawdown from borrowings	5,535	83,296
- Interest paid	(1,475)	(1,086)
- Repayment of borrowings	(8,706)	(5,868)
- Repayment of finance lease liabilities	(246)	(336)
<b>Net cash from/(used in) financing activities</b>	<b><u>(4,925)</u></b>	<b><u>75,739</u></b>
Net increase/(decrease) in cash and cash equivalents	<b>(15,954)</b>	<b>(41,310)</b>
Cash and cash equivalents at beginning of period	<b>128,973</b>	<b>214,781</b>
Exchange differences on translation of the financial statements of foreign entities	<b>(3,637)</b>	<b>(2,324)</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>109,382</u></b>	<b><u>171,147</u></b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2018 – UNAUDITED**

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

	<b>3 months Ended 31/03/2017 RM'000</b>	3 months Ended 31/03/2017 RM'000
Cash and bank balances	<b>34,085</b>	119,277
Deposits placed with licensed banks	<b>77,020</b>	54,042
	<b>111,105</b>	173,319
Bank overdrafts	<b>(1,688)</b>	(1,205)
Pledged deposits	<b>(35)</b>	(967)
	<b>109,382</b>	171,147

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**

**(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 2017 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 2017. The audited financial statements of the Group as at and for the year ended 31 December 2017 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 2017 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 2018.

***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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)\**
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions\**
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts\**
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with*

*Negative Compensation*

- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Plan Amendment, Curtailment or Settlement\*\**
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for those marked with “\*” which are not applicable to the Group.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for that marked with “\*\*” which is not applicable to the Group.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group 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*.

**Cumulative Effect Transition Approach**

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements as at 1 January 2018. The Group does not





expect the initial application of the standard to have any material impact to these financial statements of the Group, as below:

	<b>As reported at 31 December 2017 RM'000</b>	<b>Estimated adjustments due to adoption of MFRS 15 RM'000</b>	<b>Estimated adjusted opening balance at 1 January 2018 RM'000</b>
<b>Group</b>			
Retained earnings	22,770	-	22,770
<b>Company</b>			
Retained earnings	77,490	-	77,490

The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

**(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.

Based on the assessments on MFRS 9, the Group does not expect the initial applications of these standards, to have any material impact to these financial statements of the Group.

The new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

**(iii) MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

**2. Preceding Annual Financial Statement**

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2017 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 quarter ended 31 March 2018.

**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 quarter ended 31 March 2018 other than:

a) Share buy-back

The Company repurchased 80,000 ordinary shares of its issued share capital from the open market, at an average costs of RM0.41 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 RM32,000 and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

**7. Dividends Paid**

There were no payment of dividend for the quarter ended 31 March 2018.

**8. Segmental Reporting**

The segmental revenue and results of the Group for the quarter ended 31 March 2018 are as follows:-

	<b>Constructions</b>	<b>Concessions</b>	<b>Trading &amp; Services</b>	<b>Property Development</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment profit</b>	(1,113)	1,294	319	(3,726)	(3,226)
<i>Included in the measure of segment profit are:</i>					
Revenue from external customers	15,825	348	5,207	-	21,380
Share of profit of associate	-	968	(67)	(536)	365
Share of profit of joint venture	1,360	-	29	-	1,389



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*Not included in the measure of segment profit but provided to Chief Operating Officer:*

Depreciation and amortization	(232)	-	(1,073)	-	(1,305)
Finance costs	(202)	-	(136)	(1,137)	(1,475)
Finance income	227	1	-	198	426
Income tax expense	(592)	-	(58)	(316)	(966)

<b>Segment assets</b>	<b>297,459</b>	<b>25,346</b>	<b>87,513</b>	<b>191,501</b>	<b>601,819</b>
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*Included in the measure of segment assets are:*

Investment in associate	-	24,003	(356)	14,991	35,638
Investment in joint venture	34,596	-	15,983	-	50,579
Additions to non-current assets other than financial instruments and deferred tax assets	11	-	601	-	612

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

	<b>RM'000</b>
<b>Profit</b>	
Total profit for reportable segments	(3,226)
Depreciation and amortisation	(1,305)
Finance costs	(1,475)
Finance income	426
Unrealised/ realised foreign exchange gain/(loss)	(1,790)
Unallocated expenses:	
Corporate expenses	(1,302)
Consolidated profit before tax	<u>(8,672)</u>

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

There was no revaluation of property, plant and equipment during the quarter ended 31 March 2018. 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 24 May 2018 (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.

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

The contingent liabilities as at financial period ended 31 March 2018 are as follows:-

	<b>RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>34,794</u>

**13. Net assets (NA) per share**

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	450,803
No. of shares	<u>673,614</u>
NA per share (RM)	<u>0.67</u>



**B. ADDITIONAL DISCLOSURE PURSUANT TO THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**

**1. Taxation**

The breakdown of tax charge is as follows:-

	Current Quarter Ended 31/03/2018 RM'000	Cumulative Quarter To-date 31/03/2018 RM'000
Continuing operations		
Malaysian - current period	965	965
Overseas - Current period	1	1
	<u>966</u>	<u>966</u>

The Group's higher effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) in the cumulative quarter to-date is mainly due to certain expenses which were not deductible for taxation purposes and the non-availability of group relief where tax losses of certain subsidiary companies cannot be set off against the taxable income of other subsidiary companies.

**2. Status of Corporate Proposals**

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

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

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

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

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

The proposed disposals of the entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited pursuant to the SPA-A which is and Letter-A are deemed to be completed on 23 December 2013.



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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 24 May 2018 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	(145,481)	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 Disposal	1,437	(1,501)	Within 3 months	(64)	4	Completed
<b>Total</b>	<b>369,374</b>	<b>(295,475)</b>		<b>-</b>	<b>-</b>	<b>-</b>

### 3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2018 are as follows:

	As at 1st quarter ended 2018		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<b>Secured</b>			
Term loan	-	36,944	36,944
Finance lease creditors	4,574	2,060	6,634



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<b>Unsecured</b>			
<i>Term loan</i>	590	159	749
<i>Revolving credits</i>	-	8,000	8,000
<i>Bankers' Acceptance</i>	-	6,080	6,080
<i>Bank overdrafts</i>	-	1,689	1,689
	5,164	54,932	60,096

As at 1st quarter ended 2017			
	Long term	Short term	Total borrowings
	RM	RM	RM
	denomination	denomination	denomination
<b>Secured</b>			
<i>Term loan</i>	120,240	23,333	143,573
<i>Finance lease creditors</i>	4,214	1,316	5,530
<b>Unsecured</b>			
<i>Term loan</i>	848	-	848
<i>Revolving credits</i>	-	-	-
<i>Bank overdrafts</i>	-	1,205	1,205
	125,302	25,854	151,156

For the year to-date financial quarter under review, the Group has recorded borrowings of RM60.10 million as compared to RM151.16 million for corresponding period in the immediate preceding year. The reduction in the borrowings was substantially attributed by the disposal of a subsidiary with secured term loan amounting to RM83.30 million, and repayment of secured term loan of a subsidiary amounting to RM23.33 million.

Finance lease liabilities bears interest at rates ranging from 2.29% to 6.18% per annum. The secured term loan bears interest at rates ranging from 6.28% to 8.97% per annum and are due for full payment in Year 2019.

The proportion of debts that is based on the fixed interest rate and floating interest rate are 11.04% and 88.96% respectively.

#### 4. Changes in Material Litigation

There was no material update as at 24 May 2018 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:-

**(i) Terra Environment Management Sdn Bhd (formerly known as UG Management Services Sdn Bhd) ("TEM") VS Salcon Engineering Berhad ("SEB"), a wholly-owned subsidiary of the Company**

SEB had on 25 April 2018 filed the Notice of Withdrawal of Appeal dated 17 April 2018 to the Registry of Court of Appeal, Kota Kinabalu to withdraw the Notice of Appeal dated 13 December 2017 with no order as to costs, and the deposit to be refunded to SEB. Both TEM and SEB had agreed to a settlement whereby SEB will pay a sum of RM1,850,000.00 to TEM as full and final settlement of the dispute between the parties instead of the judgment sum of RM3.0 million. There is no potential liability, financial and operational impact to the Company and the Group.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/03/2018	31/12/2017	
Revenue	21,380	146,930	-85%
Operating Profit/(Loss)	(9,377)	(22,696)	59%
Profit/(Loss) Before Interest and Tax	(7,197)	(16,625)	57%
Profit/(Loss) Before Tax	(8,672)	(17,545)	51%
Profit/(Loss) For The Period	(9,638)	(15,462)	38%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(7,672)	(14,016)	45%

For the current financial quarter, the Group revenue decreased by 85%. Loss before tax of RM8.67 million in the current quarter as compared to loss before tax of RM17.55 million in the immediate preceding quarter substantially attributed by the impairment of goodwill and unrealised loss on foreign exchange in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 61% as compared to the immediate preceding quarter due to lower progress of projects. The division recorded a lower profit before tax of RM1.36 million as compared to profit before tax of RM5.24 million in the immediate preceding quarter.

The Property Development Division has recorded a loss before tax of RM4.67 million as compared to loss before tax of RM2.82 million in the preceding quarter due to no revenue generated in the current quarter.

In the Concessions Division, the revenue and profit before tax decreased by 10% and 23% respectively as compared with the immediate preceding quarter.

For the Trading and Services Division, revenue increased by 4%. This Division has recorded a loss before tax of RM890,000 as compared to loss before tax of RM10.46 million due to impairment of goodwill in the immediate preceding quarter.

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

	Individual Period (1st Quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	31/03/2018	31/03/2017		31/03/2018	31/03/2017	
Revenue	21,380	19,415	10%	21,380	19,415	10%
Operating Profit/(Loss)	(9,377)	(5,327)	-76%	(9,377)	(5,327)	-76%
Profit/(Loss) Before Interest and Tax	(7,197)	(3,152)	-128%	(7,197)	(3,152)	-128%
Profit/(Loss) Before Tax	(8,672)	(4,238)	-105%	(8,672)	(4,238)	-105%





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Profit/(Loss) For The Period	(9,638)	(4,377)	-120%	(9,638)	(4,377)	-120%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(7,672)	(3,799)	-102%	(7,672)	(3,799)	-102%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM21.38 million as compared to RM19.42 million for the same period in the preceding year or an increase of 10%. Loss before taxation of RM8.67 million was recorded in the current quarter as compared to loss before tax of RM4.24 million for the same period in the preceding year substantially attributed by the unrealised loss on foreign exchange in the current quarter.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 13% as compared to the same period in the preceding year. Lower gross profit due from projects had resulted the Division to record a loss before tax of RM1.17 million as compared to profit before tax of RM1.70 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM4.67 million as compared to loss before tax of RM2.21 million for the same period in the preceding year due to unrealised loss on foreign exchange in the current quarter.

In the Concessions Division, revenue and profit before tax was RM348,000 and RM1.30 million as compared to RM401,000 and RM1.51 million respectively for the same period in the preceding year.

In the Trading and Services Division, revenue was higher by 3% as compared to the same period in the preceding year. The Division recorded a loss before tax of RM890,000 as compared to loss before tax of RM1.62 million for the same period in the preceding year due to gain on disposal of assets in the current quarter.

**7. Prospects**

In the Construction Division, Salcon's outstanding order book of RM550 million as at 31 March 2018 remains healthy and is expected to sustain over the next two years. Based on our track record and expertise in the water and wastewater sector, we look forward to replenish our order books via competitive tenders for both governmental and private sector-led jobs.

The Technology Services division led by our subsidiary Volksbahn Technologies Sdn Bhd (VBT) has improved its performance this quarter and is expected to contribute positively to the Group's earnings this 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 31 March 2018, 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	Comparative Quarter Ended	Cumulative Quarter To-date	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Profit/(Loss) attributable to equity holders of the parent (RM'000)	(7,672)	(3,799)	(7,672)	(3,799)
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	673,694	642,684	673,694	642,684
Effect of shares repurchased during the period ('000)	(22)	(199)	(22)	(199)
Effect of shares distributed as dividend during the period ('000)	-	-	-	-
Weighted average number of ordinary shares ('000)	<u>673,672</u>	<u>642,485</u>	<u>673,672</u>	<u>642,485</u>
Basic (loss)/earnings per share (sen) - continuing operations	(1.14)	(0.59)	(1.14)	(0.59)

## 11. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 31/03/2018 RM'000	Cumulative Quarter Ended 31/03/2018 RM'000
Foreign Exchange Gain	1,006	1,006
Foreign Exchange Loss	(4,787)	(4,787)
Depreciation and amortization	(364)	(364)
	<u>(4,145)</u>	<u>(4,145)</u>



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**Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 May 2018.

**ON BEHALF OF THE BOARD**

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

Selangor Darul Ehsan  
31 May 2018