



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2018 - UNAUDITED**

	30/09/2018	31/12/2017
	RM'000	RM'000
Assets		
Property, plant and equipment	41,301	61,953
Intangible assets	22,983	21,831
Investment properties	8,201	8,201
Investment in associate	37,973	42,726
Investment in joint ventures	55,927	49,190
Other investments	378	540
Deferred tax assets	3,698	3,698
Total non-current assets	170,461	188,139
Trade and other receivables, including derivatives	189,281	161,250
Inventories	140,416	142,054
Current tax assets	2,304	3,651
Cash and cash equivalents	89,870	133,811
Total current assets	421,871	440,766
Total assets	592,332	628,905
Equity		
Share capital	424,465	424,465
Reserves	11,382	10,922
Retained earnings	10,807	22,770
Total equity attributable to owners of the Company	446,654	458,157
Non-controlling interests	27,227	26,971
Total equity	473,881	485,128
Liabilities		
Loans and borrowings	5,941	5,741
Deferred tax liabilities	7,251	7,299
Total non-current liabilities	13,192	13,040
Trade and other payables, including derivatives	64,612	69,797
Loans and borrowings	40,498	60,887
Current tax liabilities	149	53
Total current liabilities	105,259	130,737
Total liabilities	118,451	143,777
Total equity and liabilities	592,332	628,905
Net assets per share (RM)	0.67	0.68

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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Continuing operations				
Revenue	35,274	18,654	86,669	59,562
Cost of sales	(27,822)	(14,309)	(66,145)	(43,377)
Gross Profit	7,452	4,345	20,524	16,185
Other income	2,318	557	6,267	2,574
Other expenses	-	(3,877)	(176)	(3,877)
Distribution expenses	(289)	(1,023)	(2,043)	(2,566)
Administrative expenses	(7,504)	(13,273)	(35,637)	(39,178)
Profit/(Loss) from operating activities	1,977	(13,271)	(11,065)	(26,862)
Finance costs	(1,148)	(957)	(3,941)	(3,114)
Finance income	715	348	2,174	2,267
Share of profit of equity-accounted associate/ joint ventures, net of tax	3,760	5,210	8,104	10,470
Profit/(Loss) before tax	5,304	(8,670)	(4,728)	(17,239)
Tax expense	(86)	1,387	(2,059)	12
Profit/(Loss) from continuing operations	5,218	(7,283)	(6,787)	(17,227)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	(607)	8,382	(607)	2,647
Profit/(Loss) for the period	4,611	1,099	(7,394)	(14,580)
Profit/(Loss) attributable to:				
Owners of the Company	3,284	3,040	(5,232)	(9,805)
Non-controlling interests	1,327	(1,941)	(2,162)	(4,775)
Profit/(Loss) for the period	4,611	1,099	(7,394)	(14,580)
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	0.48	(0.79)	(0.79)	(1.84)
- from discontinued operations	0.01	1.24	0.01	0.39
Total	0.49	0.45	(0.78)	(1.45)

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.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2018 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Profit/(Loss) for the period	4,611	1,099	(7,394)	(14,580)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	549	(455)	2,384	(1,888)
Total other comprehensive income/(expense)	549	(455)	2,384	(1,888)
Total comprehensive income/(expense) for the period	5,160	644	(5,010)	(16,468)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	4,055	3,362	(3,281)	(7,580)
Non-controlling interests	1,105	(2,718)	(1,729)	(8,888)
Total comprehensive income/(expense) for the period	5,160	644	(5,010)	(16,468)

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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2018 – UNAUDITED**

	← Attributable to Owners of the Company →						Non- controlling interests	Total equity
	← Non – distributable →			Distributable →				
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000		
At 1 January 2017	338,847	85,618	12,525	(21,498)	68,490	483,982	39,126	523,108
Total comprehensive income for the period	-	-	2,225	-	(9,805)	(7,580)	(8,888)	(16,468)
Own shares acquired	-	-	-	(2,342)	-	(2,342)	-	(2,342)
Acquisition of subsidiaries	-	-	-	-	-	-	1,426	1,426
Issuance of shares to non-controlling interest	-	-	-	-	-	-	5,647	5,647
Capital reduction in a subsidiary	-	-	-	-	-	-	(6,366)	(6,366)
Dividends to shareholders	-	-	-	21,899	(21,899)	-	-	-
Dividends to minority interest	-	-	-	-	-	-	(387)	(387)
Transfer in accordance with Section 618(2) of the Companies Act 2016 ⁽¹⁾	85,618	(85,618)	-	-	-	-	-	-
At 30 September 2017	424,465	-	14,750	(1,941)	36,786	474,060	30,558	504,618
At 1 January 2018	424,465	-	12,865	(1,943)	22,770	458,157	26,971	485,128
Total comprehensive income for the period	-	-	1,951	-	(5,232)	(3,281)	(1,729)	(5,010)
Own shares acquired	-	-	-	(1,491)	-	(1,491)	-	(1,491)
Acquisition of subsidiaries	-	-	-	-	-	-	122	122
Disposal of interest in subsidiaries	-	-	-	-	-	-	2,157	2,157
Dividends to shareholders	-	-	-	-	(6,731)	(6,731)	-	(6,731)
Dividends to minority interest	-	-	-	-	-	-	(294)	(294)
At 30 September 2018	424,465	-	14,816	(3,434)	10,807	446,654	27,227	473,881

Note

⁽¹⁾ 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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED**

	9 months Ended 30/09/2018 RM'000	9 months Ended 30/09/2017 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax		
- continuing operations	(4,728)	(17,239)
- discontinued operations	(606)	27
	<u>(5,334)</u>	<u>(17,212)</u>
Adjustments for :		
- Non-cash items	(3,229)	(6,684)
- Non-operating items	1,767	847
Operating loss before changes in working capital	(6,796)	(23,049)
Changes in working capital	(25,140)	16,509
Cash generated from/(used in) operations	(31,936)	(6,540)
Income taxes paid	(665)	(2,935)
Net cash from/(used in) operating activities	<u>(32,601)</u>	<u>(9,475)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	23,320	187
- Proceeds from disposal of other investments	-	655
- Acquisition of property, plant and equipment	(1,803)	(3,078)
- Acquisition of subsidiary, net of cash acquired	(1,920)	(6,486)
- Acquisition of other investments	-	(1,350)
- Capital reduction in a subsidiary	-	(5,143)
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	(23)	(2,265)
- Dividends received from associated company	4,452	4,816
- Interest received	2,174	2,267
Net cash from/(used in) investing activities	<u>26,200</u>	<u>(10,397)</u>
<u>Cash flows from financing activities</u>		
- Repurchase of treasury shares	(1,491)	(2,342)
- Drawdown from borrowings	24,211	-
- Interest paid	(3,941)	(3,114)
- Repayment of borrowings	(42,538)	(17,597)
- Dividends paid to owners of the company	(6,731)	-
- Dividends paid to non-controlling interests	(854)	(947)
- Repayment of finance lease liabilities	(1,546)	(1,012)
Net cash from/(used in) financing activities	<u>(32,890)</u>	<u>(25,012)</u>
Net increase/(decrease) in cash and cash equivalents	(39,291)	(44,884)
Cash and cash equivalents at beginning of period	128,973	214,781
Exchange differences on translation of the financial statements of foreign entities	(1,206)	(4,234)
Cash and cash equivalents at end of period	<u>88,476</u>	<u>165,663</u>

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.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2018 – UNAUDITED**

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

	9 months Ended 30/09/2018 RM'000	9 months Ended 30/09/2017 RM'000
Cash and bank balances	31,375	48,036
Deposits placed with licensed banks	58,495	119,747
	89,870	167,783
Bank overdrafts	(1,359)	(1,153)
Pledged deposits	(35)	(967)
	88,476	165,663

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.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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:

	As reported at 31 December 2017 RM'000	Estimated adjustments due to adoption of MFRS 15 RM'000	Estimated adjusted opening balance at 1 January 2018 RM'000
Group			
Retained earnings	22,770	-	22,770
Company			
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 cumulative quarter ended 30 September 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 cumulative quarter ended 30 September 2018 other than:

a) Share buy-back

The Company repurchased 5,256,900 ordinary shares of its issued share capital from the open market, at an average costs of RM0.28 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 RM1,491,000 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

The dividend paid for the cumulative quarter ended 30 September 2018 is as follows:-

	Cumulative Quarter To-date 30/09/18 RM'000
First and final single tier dividend of 1.0 sen per share in respect of financial year ended 31 December 2017 was paid on 19 July 2018	6,731



8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 September 2018 are as follows:-

	Constructions RM'000	Concessions RM'000	Trading & Services RM'000	Property Development RM'000	Total Continuing Operations RM'000	Discontinued Operations RM'000	Consolidated RM'000
Segment profit	3,960	4,101	3,523	(5,907)	5,677	(377)	5,300
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	68,829	1,087	14,594	2,159	86,669	471	87,140
Share of profit of associate	-	3,039	(340)	(1,333)	1,366	-	1,366
Share of profit of joint venture	6,500	-	238	-	6,738	-	6,738
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(727)	-	(2,396)	(1)	(3,124)	(195)	(3,319)
Finance costs	(615)	-	(206)	(3,120)	(3,941)	(41)	(3,981)
Finance income	1,894	6	1	273	2,174	7	2,181
Income tax expense	(990)	(1)	(346)	(722)	(2,059)	(1)	(2,060)
Segment assets	293,626	27,118	93,484	178,104	582,332	-	592,332
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	26,075	(629)	12,527	37,973	-	37,973
Investment in joint venture	39,735	-	16,192	-	55,927	-	55,927
Additions to non-current assets other than financial instruments and deferred tax assets	389	-	3,464	-	3,853	-	-



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

	RM'000
Profit	
Total profit for reportable segments	5,677
Depreciation and amortisation	(3,124)
Finance costs	(3,941)
Finance income	2,174
Unrealised/ realised foreign exchange gain/(loss)	(997)
Unallocated expenses:	
Corporate expenses	(4,517)
Consolidated profit/(loss) before tax from continuing operations	(4,728)
Profit/(loss) from discontinued operations, net of tax	(607)
Consolidated profit/(loss) before tax	(5,335)

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 September 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 22 November 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 except for the following:-

- i) On 22 May 2018, Salcon Green Energy (UK) Limited ("SGE"), a wholly-owned subsidiary of Salcon Power Sdn Bhd, the wholly-owned subsidiary of Salcon Engineering Berhad which in turn is a wholly-owned subsidiary of Salcon, has been dissolved via a voluntary striking off in accordance with Section 1003 of the Companies Act, 2006, United Kingdom following an application made by SGE to the Companies House, United Kingdom for striking-off of SGE.

SGE, was incorporated in the United Kingdom on 15 September 2011 under the Companies Act, 2006 as a private limited company. It has not commenced business since inception. The issued and paid up share capital of SGE is £10,000 divided into 10,000 ordinary shares.

- ii) On 26 June 2018, Eco-Coach & Tours (M) Sdn Bhd ("ECT"), a 51.3%-owned subsidiary of Salcon Capital Sdn. Bhd., which in turn is a wholly-owned subsidiary of Salcon had entered into a Share Purchase Agreement with Dato' Lee Soon Ann, Datin Li Jing and Li Xiao Chun for the acquisition of the entire equity interest in Crystal Expertise Sdn Bhd ("CESB") comprising 1,000,000 ordinary shares, from Dato' Lee Soon Ann (930,000 ordinary shares), Datin Li Jing (35,000 ordinary shares) and Li Xiao Chun (35,000 ordinary shares) for a total cash consideration of RM1,430,000.00 only ("Acquisition").



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The principal business activity of CESB is to carry on the business of transport services. Following the Acquisition, CESB becomes a wholly-owned subsidiary of ECT, which in turn is a 51.3%- owned subsidiary of Salcon Capital Sdn. Bhd., a wholly-owned subsidiary of Salcon.

- iii) Salcon ELU Sdn Bhd (“Salcon ELU”) has on 18 September 2018 entered into a Share Purchase Agreement (“SPA”) with TSA and ENOVATE (“Buyers”) for the disposal of 918,182 ordinary shares, each with a face value of Norwegian Krone (“NOK”) 1.00 each, representing 50.5% of the equity interest in RAS to the Buyers for a sale consideration of NOK1.00 (equivalent to approximately RM0.50) only together with the undertakings from Buyers; and

On the even date, Salcon ELU entered into a Software Acquisition Agreement In Relation to RAVYN Daily Operation (“SAA”) with RAS and the Buyers for RAS to transfer all of the right, title and interest in and to the intellectual property rights and know-how in relation to the RAYVN Daily Operation to Salcon ELU for a full and total consideration being the waiver of all outstanding claims owed by RAS to Salcon ELU of NOK6,500,000 (equivalent to approximately RM3,301,740) only.

12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 30 September 2018 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>59,381</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	446,654
No. of shares	<u>668,437</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 30/09/2018 RM'000	Cumulative Quarter To-date 30/09/2018 RM'000
Continuing operations		
Malaysian - current period	(189)	1,784
- prior years	275	275
	<u>86</u>	<u>2,059</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.



SALCON BERHAD (Company No: 593796-T)

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 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 22 November 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	(148,064)	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
Total	369,374	(298,058)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2018 are as follows:

	As at 3rd quarter ended 2018		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loan</i>	-	25,278	25,278
<i>Finance lease creditors</i>	2,681	3,127	5,808
Unsecured			
<i>Term loan</i>	3,260	88	3,348
<i>Bankers' Acceptance</i>	-	10,646	10,646
<i>Bank overdrafts</i>	-	1,359	1,359
	5,941	40,498	46,439

	As at 3rd quarter ended 2017		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loan</i>	25,278	23,333	48,611
<i>Finance lease creditors</i>	2,963	1,988	4,951
Unsecured			
<i>Term loan</i>	787	-	787
<i>Bank overdrafts</i>	-	1,153	1,153
	29,028	26,474	55,502

For the year to-date financial quarter under review, the Group has recorded borrowings of RM46.40 million as compared to RM55.50 million for corresponding period in the immediate preceding year. The reduction in the borrowings was substantially attributed by 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 12.51% and 87.49% respectively.

4. Changes in Material Litigation

There was no material update as at 22 November 2018 (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

	Current Quarter	Immediate Preceding Quarter	Changes %
	30/09/2018	30/06/2018	
Revenue	35,274	30,015	18%
Operating Profit/(Loss)	1,977	(3,665)	154%
Profit/(Loss) Before Interest and Tax	6,452	(42)	15,562%
Profit/(Loss) Before Tax	5,304	(1,360)	490%
Profit/(Loss) For The Period	4,611	(2,367)	295%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,284	(844)	489%

For the current financial quarter, the Group revenue increased by 18% and has recorded a profit before tax of RM5.30 million as compared to loss before tax of RM1.36 million in the immediate preceding quarter. The profit before tax in the current quarter mainly attributed by an increase in share of profit from joint ventures and the disposal of subsidiaries during the current quarter.

The revenue recorded in the Constructions Division was higher by 23% as compared to the immediate preceding quarter. Higher contributions from the share of profit from joint ventures has resulted a profit before tax of RM3.23 million as compared to profit before tax of RM2.01 million in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded a lower loss before tax of RM1.85 million in the current financial quarter as compared to loss before tax of RM2.24 million due to sales of properties in the current quarter.

In the Concessions Division, revenue increased by 3% and profit before tax decreased by 2%.

For the Trading and Services Division, revenue decreased 28%. Due to the disposal of subsidiaries, the Division recorded profit before tax of RM2.52 million as compared to loss before tax of RM712,000 in the same period of the immediate preceding quarter.

In the current quarter, the Discontinued Operations recorded loss before tax of RM606,000 as compared to nil in the same period of the immediate preceding quarter due to disposal of 50.5% equity in Rayvn AS in the current quarter.



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

	Individual Period (3rd Quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	30/09/2018	30/09/2017		30/09/2018	30/09/2017	
Revenue	35,274	18,654	89%	86,669	59,562	46%
Operating Profit/(Loss)	1,977	(13,271)	115%	(11,065)	(26,862)	59%
Profit/(Loss) Before Interest and Tax	6,452	(7,713)	184%	(787)	(14,125)	94%
Profit/(Loss) Before Tax	5,304	(8,670)	161%	(4,728)	(17,239)	73%
Profit/(Loss) For The Period	4,611	1,099	320%	(7,394)	(14,580)	49%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,284	3,040	8%	(5,232)	(9,805)	47%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM35.27 million as compared to RM18.65 million for the same period in the preceding year or an increase of 89%. Profit before taxation of RM4.61 million was recorded in the current financial quarter as compared to profit before tax of RM1.10 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 142% as compared to the same period in the preceding year due to recognitions of projects. Higher gross profits has resulted the Division to record profit before tax of RM3.23 million as compared to loss before tax of RM310,000 for the same period in the preceding year.

The Property Development Division has recorded revenue of RM1.69 million as compared to nil for the same period in the preceding year. Loss before tax for the current financial quarter was RM1.85 million as compared to loss before tax of RM1.90 million for the same period in the preceding year.

In the Concessions Division, revenue was lower by 4% in current financial quarter as compared to the same period in the preceding year. Profit before tax was RM1.39 million as compared to profit before tax of RM1.54 million for the same period in the preceding year due to lower contributions from associate company in the current financial quarter.

In the Trading and Services Division, revenue was lower by 36% as compared to the same period in the preceding year due to higher sales in solar power in the preceding year quarter. The Division recorded profit before tax of RM2.52 million as compared to loss before tax of RM6.24 million for the same period in the preceding year due to impairment loss on goodwill of RM3.88 million in the preceding year quarter.

In the Discontinued Operations, the Division recorded loss before tax of RM606,000 as compared to profit before tax of RM8.53 million for the same period in the preceding year due to gain from the disposal of 80% equity in Eco World-Salcon Y1 Pty Ltd in the preceding year quarter.

For the cumulative quarter to date, the Group recorded revenue of RM86.67 million as compared to RM59.56 million in the corresponding cumulative quarter in the preceding year. Loss before tax of



RM4.73 million was recorded in the cumulative quarter to date as compared to loss before tax of RM17.24 million in the corresponding cumulative quarter in the preceding year. The loss before tax in the current cumulative quarter was reduced mainly attributed to recognitions of projects and the disposal of subsidiaries.

In the Constructions Division, revenue was 60% higher when compared to the corresponding cumulative quarter in the preceding year. The Division profit before tax was RM4.06 million as compared to loss before tax of RM235,000 for the same period in the preceding year due to higher recognitions of projects and management fees in the current cumulative quarter.

In the Property Development Division, it recorded loss before tax of RM8.75 million in the current financial quarter as compared to loss before tax of RM6.18 million for the same period in the preceding year due to unrealised losses on foreign exchange in the current cumulative quarter.

The Concessions Division recorded revenue and profit before tax of RM1.09 million and RM4.10 million as compared to RM1.18 million and RM4.59 million respectively in the corresponding cumulative quarter in the preceding year. The lower profit before tax of 11% was due to lower share of profits from associate company.

The Trading and Services Division recorded revenue of RM14.59 million as compared to RM15.37 million in the corresponding cumulative quarter in the preceding year. The Division recorded profit before tax of RM922,000 as compared to loss before tax of RM10.22 million for the same period in the preceding year. Impairment loss on goodwill of RM3.88 million was recognised in the cumulative quarter of the preceding year.

In the Discontinued Operations, the Division recorded loss before tax of RM606,000 as compared to profit before tax of RM27,000 million for the same period in the preceding year due to gain from the disposal of 80% equity in Eco World-Salcon Y1 Pty Ltd in the cumulative quarter of the preceding year.

7. Prospects

Despite the challenging economic environment in the country, the Group is intensifying its tendering for water and wastewater projects, both locally and overseas so as to replenish its outstanding order book which stands at RM448 million as at 30 September 2018.

The Group remains optimistic of its medium to long term prospects.

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 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 30/09/2018	Comparative Quarter Ended 30/09/2017	Cumulative Quarter To-date	
			30/09/2018	30/09/2017
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	3,222	(5,342)	(5,294)	(12,452)
- discontinued operations	62	8,382	62	2,647
	<u>3,284</u>	<u>3,040</u>	<u>(5,232)</u>	<u>(9,805)</u>
<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)	(2,706)	32,378	(1,096)	34,316
Weighted average number of ordinary shares ('000)	<u>670,988</u>	<u>675,062</u>	<u>672,598</u>	<u>677,000</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	0.48	(0.79)	(0.79)	(1.84)
- discontinued operations	0.01	1.24	0.01	0.39
Total	<u>0.49</u>	<u>0.45</u>	<u>(0.78)</u>	<u>(1.45)</u>

11. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 30/09/2018 RM'000	Cumulative Quarter Ended 30/09/2018 RM'000
Foreign Exchange Gain	319	1,357
Foreign Exchange Loss	195	(4,776)
Depreciation and amortization	(171)	(906)
	<u>(343)</u>	<u>(4,325)</u>



SALCON BERHAD (Company No: 593796-T)

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 29 November 2018.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
29 November 2018