



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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2019 - UNAUDITED**

	<b>30/09/2019</b>	31/12/2018
	<b>RM'000</b>	RM'000
<b>Assets</b>		
Property, plant and equipment	<b>22,355</b>	33,419
Intangible assets	<b>25,984</b>	26,294
Right-of-use assets	<b>8,910</b>	-
Investment properties	<b>8,201</b>	8,201
Investment in associate	<b>24,443</b>	39,149
Investment in joint ventures	<b>37,514</b>	40,016
Other investments	<b>3,236</b>	238
Deferred tax assets	<b>3,698</b>	3,698
<b>Total non-current assets</b>	<b>134,341</b>	151,015
Trade and other receivables, including derivatives	<b>181,601</b>	202,505
Inventories	<b>133,229</b>	138,168
Current tax assets	<b>1,661</b>	2,575
Cash and cash equivalents	<b>119,326</b>	115,147
<b>Total current assets</b>	<b>435,817</b>	458,395
<b>Total assets</b>	<b>570,158</b>	609,410
<b>Equity</b>		
Share capital	<b>424,465</b>	424,465
Reserves	<b>(707)</b>	8,541
Retained earnings	<b>(1,045)</b>	18,155
<b>Total equity attributable to owners of the Company</b>	<b>422,713</b>	451,161
<b>Non-controlling interests</b>	<b>20,376</b>	21,850
<b>Total equity</b>	<b>443,089</b>	473,011
<b>Liabilities</b>		
Loans and borrowings	<b>3,048</b>	7,638
Lease liabilities	<b>3,635</b>	-
Deferred tax liabilities	<b>6,737</b>	6,943
<b>Total non-current liabilities</b>	<b>13,420</b>	14,581
Trade and other payables, including derivatives	<b>97,430</b>	80,360
Lease liabilities	<b>1,672</b>	-
Loans and borrowings	<b>13,986</b>	40,743
Current tax liabilities	<b>561</b>	715
<b>Total current liabilities</b>	<b>113,649</b>	121,818
<b>Total liabilities</b>	<b>127,069</b>	136,399
<b>Total equity and liabilities</b>	<b>570,158</b>	609,410
Net assets per share (RM)	<b>0.51</b>	0.67

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2019 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>30/09/2019 RM'000</b>	30/09/2018 RM'000	<b>30/09/2019 RM'000</b>	30/09/2018 RM'000
<b>Continuing operations</b>				
<b>Revenue</b>	<b>41,693</b>	35,274	<b>132,244</b>	86,669
Cost of sales	<b>(34,717)</b>	(27,822)	<b>(110,594)</b>	(66,145)
<b>Gross Profit</b>	<b>6,976</b>	7,452	<b>21,650</b>	20,524
Other income	<b>879</b>	2,318	<b>3,360</b>	6,267
Other expenses	<b>-</b>	-	<b>(44)</b>	(176)
Distribution expenses	<b>(428)</b>	(289)	<b>(1,602)</b>	(2,043)
Administrative expenses	<b>(10,987)</b>	(7,504)	<b>(37,226)</b>	(35,637)
<b>Profit/(Loss) from operating activities</b>	<b>(3,560)</b>	1,977	<b>(13,862)</b>	(11,065)
Finance costs	<b>(392)</b>	(1,148)	<b>(1,754)</b>	(3,941)
Finance income	<b>556</b>	715	<b>2,260</b>	2,174
Share of profit of equity-accounted associate/ joint ventures, net of tax	<b>(1,243)</b>	3,760	<b>1,679</b>	8,104
<b>Profit/(Loss) before tax</b>	<b>(4,639)</b>	5,304	<b>(11,677)</b>	(4,728)
Tax expense	<b>(326)</b>	(86)	<b>(2,136)</b>	(2,059)
<b>Profit/(Loss) from continuing operations</b>	<b>(4,965)</b>	5,218	<b>(13,813)</b>	(6,787)
<b>Discontinued operations</b>				
Profit/(Loss) from discontinued operations, net of tax	<b>-</b>	(607)	<b>807</b>	(607)
<b>Profit/(Loss) for the period</b>	<b>(4,965)</b>	4,611	<b>(13,006)</b>	(7,394)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	<b>(4,813)</b>	3,284	<b>(10,831)</b>	(5,232)
Non-controlling interests	<b>(152)</b>	1,327	<b>(2,175)</b>	(2,162)
<b>Profit/(Loss) for the period</b>	<b>(4,965)</b>	4,611	<b>(13,006)</b>	(7,394)
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	<b>(0.57)</b>	0.48	<b>(1.38)</b>	(0.79)
- from discontinued operations	<b>-</b>	0.01	<b>0.10</b>	0.01
Total	<b>(0.57)</b>	0.49	<b>(1.28)</b>	(0.78)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2019 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>30/09/2019 RM'000</b>	30/09/2018 RM'000	<b>30/09/2019 RM'000</b>	30/09/2018 RM'000
<b>Profit/(Loss) for the period</b>	<b>(4,965)</b>	4,611	<b>(13,006)</b>	(7,394)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>(11,874)</b>	549	<b>(13,553)</b>	2,384
<b>Total other comprehensive income/(expense)</b>	<b>(11,874)</b>	549	<b>(13,553)</b>	2,384
<b>Total comprehensive income/(expense) for the period</b>	<b>(16,839)</b>	5,160	<b>(26,559)</b>	(5,010)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	<b>(16,679)</b>	4,055	<b>(24,353)</b>	(3,281)
Non-controlling interests	<b>(160)</b>	1,105	<b>(2,206)</b>	(1,729)
<b>Total comprehensive income/(expense) for the period</b>	<b>(16,839)</b>	5,160	<b>(26,559)</b>	(5,010)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2019 – UNAUDITED**

	← Attributable to Owners of the Company →				→	Non- controlling interests	Total equity
	Share capital	Translation reserve	Treasury shares	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<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	-	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)
<b>At 30 September 2018</b>	<b>424,465</b>	<b>14,816</b>	<b>(3,434)</b>	<b>10,807</b>	<b>446,654</b>	<b>27,227</b>	<b>473,881</b>
<b>At 1 January 2019</b>	424,465	15,916	(7,375)	18,155	451,161	21,850	473,011
Adjustment on adoption of MFRS 16	-	-	-	(19)	(19)	-	(19)
<b>At 1 January 2019, restated</b>	424,465	15,916	(7,375)	18,136	451,142	21,850	472,992
Total comprehensive income							
for the period	-	(13,522)	-	(10,831)	(24,353)	(2,206)	(26,559)
Own shares acquired	-	-	(3,344)	-	(3,344)	-	(3,344)
Changes in ownership interest in subsidiaries	-	-	-	(732)	(732)	732	-
Dividends to shareholders	-	-	7,618	(7,618)	-	-	-
Dividends to minority interest	-	-	-	-	-	-	-
<b>At 30 September 2019</b>	<b>424,465</b>	<b>2,394</b>	<b>(3,101)</b>	<b>(1,045)</b>	<b>422,713</b>	<b>20,376</b>	<b>443,089</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 2018 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 2019 - UNAUDITED**

	<b>9 months Ended 30/09/2019 RM'000</b>	<b>9 months Ended 30/09/2018 RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax		
- continuing operations	(11,677)	(4,728)
- discontinued operations	807	(606)
	<u>(10,870)</u>	<u>(5,334)</u>
Adjustments for :		
- Non-cash items	2,491	(3,229)
- Non-operating items	(506)	1,767
Operating loss before changes in working capital	<u>(8,885)</u>	<u>(6,796)</u>
Changes in working capital	43,472	(25,140)
Cash generated from/(used in) operations	34,587	(31,936)
Income taxes paid	(1,580)	(665)
<b>Net cash from/(used in) operating activities</b>	<u><b>33,007</b></u>	<u><b>(32,601)</b></u>
<b><u>Cash flows from investing activities</u></b>		
- Increase in investments in an associate	(1,634)	-
- Proceeds from disposal of property, plant and equipment	53	23,320
- Proceeds from disposal of other investments	1,695	-
- Net cash inflow from disposal of equity accounted associate, net of cash and cash equivalents disposed off	13,128	-
- Acquisition of other investments	(4,242)	
- Acquisition of property, plant and equipment	(1,049)	(1,803)
- Acquisition of subsidiaries	-	(1,920)
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	-	(23)
- Dividends received from associated/joint ventures	8,200	4,452
- Interest received	2,260	2,174
<b>Net cash from/(used in) investing activities</b>	<u><b>18,411</b></u>	<u><b>26,200</b></u>
<b><u>Cash flows from financing activities</u></b>		
- Repurchase of treasury shares	(3,344)	(1,491)
- Drawdown from borrowings	22,444	24,211
- Interest paid	(1,754)	(3,941)
- Repayment of borrowings	(47,181)	(42,538)
- Dividends paid to owners of the company	-	(6,731)
- Dividends paid to non-controlling interests	(560)	(854)
- Repayment of finance lease liabilities	(1,943)	(1,546)
<b>Net cash from/(used in) financing activities</b>	<u><b>(32,338)</b></u>	<u><b>(32,890)</b></u>
Net increase/(decrease) in cash and cash equivalents	19,080	(39,291)
Cash and cash equivalents at beginning of period	113,687	128,973
Exchange differences on translation of the financial statements of foreign entities	(15,165)	(1,206)
<b>Cash and cash equivalents at end of period</b>	<u><b>117,602</b></u>	<u><b>88,476</b></u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 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 2019 – UNAUDITED**

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

	<b>9 months Ended 30/09/2019 RM'000</b>	9 months Ended 30/09/2018 RM'000
Cash and bank balances	<b>37,906</b>	31,375
Deposits placed with licensed banks	<b>81,420</b>	58,495
	<b>119,326</b>	89,870
Bank overdrafts	<b>(1,694)</b>	(1,359)
Pledged deposits	<b>(30)</b>	(35)
	<b>117,602</b>	88,476

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 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 2019**

**(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 2018 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 2018. The audited financial statements of the Group as at and for the year ended 31 December 2018 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 2018 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 2019.

***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, *Employee Benefits – 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 2019***

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*



***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 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.
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

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 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.

**Cumulative Effect Transition Approach**

The Group has assessed the estimated impact that the initial application of MFRS 16 will have on its consolidated financial statements as at 1 January 2019 as below:





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

<b>Group</b>	<b>As reported at 31 December 2018 RM'000</b>	<b>Estimated adjustments due to adoption of MFRS 16 RM'000</b>	<b>Estimated adjusted opening balance at 1 January 2019 RM'000</b>
Property, plant and equipment	33,419	(9,532)	23,887
Prepaid lease payments	-	-	-
Right-of-use assets	-	9,948	9,948
Finance lease liabilities	6,874	(6,874)	-
Lease liabilities	-	7,309	7,309
Retained earnings	18,155	(19)	18,136

<b>Company</b>	<b>As reported at 31 December 2018 RM'000</b>	<b>Estimated adjustments due to adoption of MFRS 16 RM'000</b>	<b>Estimated adjusted opening balance at 1 January 2019 RM'000</b>
Property, plant and equipment	291	(291)	-
Prepaid lease payments	-	-	-
Right-of-use assets	-	291	291
Finance lease liabilities	299	(299)	-
Lease liabilities	-	299	299
Retained earnings	46,108	-	46,108

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

**2. Preceding Annual Financial Statement**

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2018 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 2019.

**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 2019 other than:

### a) Share buy-back

The Company repurchased 13,834,900 ordinary shares of its issued share capital from the open market, at an average costs of RM0.24 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 RM3,344,000 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**

During the cumulative quarter ended 30 September 2019, the Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2018. The total number of treasury shares distributed was 28,173,780 shares or equivalent to RM7.62 million.

The final dividend was fully credited into the entitled depositors' securities accounts of the shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 28 June 2019.



## 8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 September 2019 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
<b>Segment profit</b>	(1,757)	1,703	(1,449)	(1,260)	(2,763)	807	(1,956)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	109,805	882	15,927	5,630	132,244	-	132,244
Share of profit of associate	-	846	(266)	-	580	(548)	32
Share of profit of joint venture	836	-	263	-	1,099	-	1,099
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(717)	-	(2,618)	-	(3,335)	-	(3,335)
Finance costs	(471)	-	(476)	(807)	(1,754)	-	(1,754)
Finance income	1,981	9	262	8	2,260	-	2,260
Income tax expense	(965)	-	(892)	(279)	(2,136)	-	(2,136)
<b>Segment assets</b>	322,022	24,818	68,779	154,539	570,158	-	570,158
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	23,615	828	-	24,443	-	24,443
Investment in joint venture	21,264	-	16,250	-	37,514	-	37,514
Additions to non-current assets other than financial instruments and deferred tax assets	79	-	970	-	1,049	-	1,049



---

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

	<b>RM'000</b>
<b>Profit</b>	
Total profit or loss for reportable segments	(2,763)
Depreciation and amortisation	(3,335)
Finance costs	(1,754)
Finance income	2,260
Unrealised/ realised foreign exchange gain/(loss)	(1,841)
Unallocated expenses:	
Corporate expenses	(4,244)
Consolidated profit/(loss) before tax from continuing operations	<u>(11,677)</u>
Profit/(loss) from discontinued operations, net of tax	807
Consolidated profit/(loss) before tax	<u>(10,870)</u>

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

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 September 2019. 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 11 November 2019 (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, a wholly owned subsidiary of Salcon had on 11 April 2019 entered into a Share Sale and Purchase Agreement with Fortune Quest Group Ltd for the disposal of its entire 4,519,569 shares comprising 20 ordinary shares and 4,519,549 preference shares, representing 20% of the total issued share capital in Eco World-Salcon Y1 Pty Ltd for a total cash consideration of AUD4,519,569 ('Disposal Consideration') ('Proposed Disposal').

The Proposed Disposal has been completed on 24 April 2019 following the receipt of the Disposal Consideration of AUD4,519,569.

- ii) Eco-Coach & Tours (M) Sdn Bhd ('ECT'), which in turn is a 51.3%- owned subsidiary of Salcon Capital Sdn Bhd, a wholly owned subsidiary of Salcon had on 17 May 2019 entered into a Sale and Purchase Agreement with the following:-
- a) Salcon Xinlian Group Ltd ('SXGL'), a 51%-owned subsidiary of Salcon;
  - b) Mr See Che Chi ('SCC');
  - c) Ms Teoh Hooi Fang ('THF');
  - d) Mr Chuah Tse Leong ('CTL');
  - e) Dato' Ngiam Foon ('DNF'); and
  - f) Circlinc Interactive Tourism Sdn Bhd ('CIT')



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

---

for the acquisition of a total of 200,000 ordinary shares, representing the entire equity interest in CIT by ECT from SXGL, SCC, THF, CTL and DNF, for a total cash consideration of RM5.00 only.

Following the completion of the transaction, CIT will cease to be a 65%-owned subsidiary of SXGL and becomes a wholly-owned subsidiary of ECT.

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

The contingent liabilities as at financial period ended 30 September 2019 are as follows:-

	<b>RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>62,440</u>

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

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	422,713
No. of shares	<u>834,264</u>
NA per share (RM)	<u>0.51</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 30/09/2019 RM'000	Cumulative Quarter To-date 30/09/2019 RM'000
Continuing operations		
Malaysian - current period	350	2,160
- prior years	(24)	(24)
	326	2,136

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**

2.1) 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 Jianguo (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 11 November 2019 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	(158,078)	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>(308,072)</b>		<b>-</b>	<b>-</b>	<b>-</b>

- 2.2) The Share Sale and Purchase Agreement between Salcon Development Sdn Bhd and Fortune Quest Group Ltd for the disposal of entire 4,519,569 shares comprising 20 ordinary shares and 4,519,549 preference shares, representing 20% of the total issued share capital in Eco World-Salcon Y1 Pte Ltd for a total cash consideration of AUD4,519,569 (equivalent to approximately RM13,252,280) has been completed on 24 April 2019.

The status of the utilization of the proceeds as at 11 November 2019 arising from the disposal is as follow: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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

Purpose	Proposed Utilisation	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Working capital	13,252	(13,252)	Within 12 months	Nil	Nil	Completed
Total	13,252	(13,252)		-	-	-

**3. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2019 are as follows:

	As at 3rd quarter ended 2019		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<b>Secured</b> <i>Term loan</i>	3,048	2,196	5,244
<b>Unsecured</b> <i>Revolving credits</i>	-	3,000	3,000
<i>Bankers' Acceptance</i>	-	7,096	7,096
<i>Bank overdrafts</i>	-	1,694	1,694
	3,048	13,986	17,034

	As at 3rd quarter ended 2018		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
<b>Secured</b> <i>Term loan</i>	-	25,278	25,278
<b>Unsecured</b> <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
	3,260	37,371	40,631

For the year to-date financial quarter under review, the Group has recorded borrowings of RM17.03 million as compared to RM40.63 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.





**4. Changes in Material Litigation**

There was no material update as at 11 November 2019 (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 %
	30/09/2019	30/06/2019	
Revenue	41,693	58,109	-28%
Operating Profit/(Loss)	(3,560)	(8,246)	57%
Profit/(Loss) Before Interest and Tax	(4,247)	(5,454)	22%
Profit/(Loss) Before Tax	(4,639)	(6,164)	25%
Profit/(Loss) For The Period	(4,965)	(6,240)	20%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(4,813)	(4,188)	-15%

For the current financial quarter, the Group revenue decreased from RM58.11 million to RM41.69 million by 28% and has recorded a loss before tax of RM4.64 million as compared to loss before tax of RM6.16 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 33%, a decrease from RM51.08 million to RM34.34 million as compared to the immediate preceding quarter. The Division recorded loss before tax of RM2.63 million as compared to profit before tax of RM363,000 in the same period of the immediate preceding quarter due to higher cost of sales in the current financial quarter.

In the Property Development Division, it recorded a higher loss before tax of RM665,000 in the current financial quarter as compared to loss before tax of RM149,000 in the immediate preceding quarter due to higher operating expenses in the current financial quarter.

In the Concessions Division, revenue was lower by 63% and profit before tax decreased from RM376,000 to RM139,000 by 63% due to cessation of an operation and maintenance of a water treatment plant in the current financial quarter.

For the Trading and Services Division, revenue increased from RM5.30 million to RM5.47 million by 3%. The Division recorded profit before tax of RM1.36 million as compared to loss before tax of RM5.31 million in the same period of the immediate preceding quarter due to higher administrative expenses for arrear of tax paid amounting to RM5.63 million in regards to disposal of overseas investment in prior years in the immediate preceding quarter .

In the current quarter, the Discontinued Operations recorded profit before tax of nil as compared to profit before tax of RM807,000 in the immediate preceding quarter attributed by the disposal of 20% equity in Eco World-Salcon Y1 Pty. Ltd



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

	Individual Period (3rd Quarter)		Changes %	9 Months Ended		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To- date	Preceding Year Corresponding Quarter	
	30/09/2019	30/09/2018		30/09/2019	30/09/2018	
Revenue	41,693	35,274	18%	132,244	86,669	53%
Operating Profit/(Loss)	(3,560)	1,977	-280%	(13,862)	(11,065)	-25%
Profit/(Loss) Before Interest and Tax	(4,247)	6,452	-166%	(9,923)	(787)	-1,161%
Profit/(Loss) Before Tax	(4,639)	5,304	-187%	(11,677)	(4,728)	-147%
Profit/(Loss) For The Period	(4,965)	4,611	-208%	(13,006)	(7,394)	-76%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(4,813)	3,284	-247%	(10,831)	(5,232)	-107%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM41.69 million as compared to RM35.27 million for the same period in the preceding year or an increase of 18%. Loss before taxation of RM4.64 million was recorded in the current quarter as compared to profit before tax of RM5.30 million for the same period in the preceding year substantially attributed by higher operating expenses and lower gross profit in the current financial quarter.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 17% as compared to the same period in the preceding year. Profit revision of a joint venture and lower gross profit had resulted the Division to record a loss before tax of RM2.63 million as compared to profit before tax of RM3.23 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM665,000 as compared to loss before tax of RM1.85 million for the same period in the preceding year due to higher finance costs in the preceding year corresponding quarter.

In the Concessions Division, revenue and profit before tax was RM141,000 and RM139,000 as compared to RM375,000 and RM1.39 million respectively for the same period in the preceding year. Lower share of profit of associated company was recorded in the current financial quarter due to cessation of an operation and maintenance of a water treatment plant.

In the Trading and Services Division, revenue was higher by 39% as compared to the same period in the preceding year. The Division recorded a profit before tax of RM1.36 million as compared to profit before tax of RM2.52 million for the same period in the preceding year due to higher operating expenses and administrative in the current quarter.

In the current financial quarter, the Discontinued Operations recorded zero profit as compared to loss before tax of RM606,000 in the preceding year corresponding quarter.



For the cumulative quarter to date, the Group recorded revenue of RM132.24 million as compared to RM86.67 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM11.68 million was recorded in the cumulative quarter to date as compared to loss before tax of RM4.73 million in the corresponding cumulative quarter in the preceding year attributed to higher administrative expenses for arrear of tax paid amounting to RM5.63 million in regards to disposal of overseas investment in prior years in the current cumulative quarter.

In the Constructions Division, revenue was 60% lower due to lower works progress when compared to the corresponding cumulative quarter in the preceding year. The Division loss before tax was RM1.74 million as compared to profit before tax of RM4.06 million for the same period in the preceding year due to profit revision of a joint venture project in the cumulative quarter to date.

In the Property Development Division, it recorded loss before tax of RM2.06 million in the cumulative quarter to date as compared to loss before tax of RM8.75 million for the same period in the preceding year due to unrealised losses on foreign exchange and higher finance cost in the cumulative quarter of the preceding year.

The Concessions Division recorded revenue and profit before tax of RM883,000 and RM1.71 million as compared to RM1.09 million and RM4.10 million respectively in the corresponding cumulative quarter in the preceding year. The lower profit before tax of 58% was due to cessation of an operation and maintenance of a water treatment plant in the cumulative quarter to date.

The Trading and Services Division recorded revenue of RM15.93 million as compared to RM14.59 million in the corresponding cumulative quarter in the preceding year. The Division recorded loss before tax of RM4.28 million as compared to profit before tax of RM922,000 for the same period in the preceding year due to higher operating expenses and administrative expenses for arrear of tax paid amounting to RM5.63 million in regards to disposal of overseas investment in prior years in the cumulative quarter to date.

In the cumulative quarter to date, the Discontinued Operations recorded profit before tax of RM807,000 due to disposal of 20% equity in Eco World-Salcon Y1 Pty. Ltd. as compared to loss before tax of RM606,000 in the cumulative quarter of the preceding year.

## **7. Prospects**

The Group's third quarter results remain challenging due to a profit revision in our Langat 2 water treatment plant project as well as delays in execution of contracts. Nevertheless, the issues are being addressed and we look to pick up pace towards the following year to recover lost ground.

The Group is rigorously tendering for water and wastewater projects in Malaysia and overseas and look forward to increase its order books to boost earnings in its construction division.

The management is also exploring the business opportunity besides the core business.

## **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 2019, 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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(4,813)	3,222	(11,638)	(5,294)
- discontinued operations	-	62	807	62
	<u>(4,813)</u>	<u>3,284</u>	<u>(10,831)</u>	<u>(5,232)</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	819,925	673,694	819,925	673,694
Effect of shares repurchased during the period ('000)	(7,970)	(2,706)	(3,270)	(1,096)
Effect of shares distributed as dividend during the period ('000)	28,174	-	28,174	-
Weighted average number of ordinary shares ('000)	<u>840,129</u>	<u>670,988</u>	<u>844,829</u>	<u>672,598</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	(0.57)	0.48	(1.38)	(0.79)
- discontinued operations	-	0.01	0.10	0.01
Total	<u>(0.57)</u>	<u>0.49</u>	<u>(1.28)</u>	<u>(0.78)</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 30/09/2019 RM'000	Cumulative Quarter Ended 30/09/2019 RM'000
Foreign Exchange Gain	(36)	569
Foreign Exchange Loss	(1,596)	(3,025)
Depreciation and amortization	(446)	(1,375)
	<u>(2,078)</u>	<u>(3,831)</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 18 November 2019.

**ON BEHALF OF THE BOARD**

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

Selangor Darul Ehsan  
18 November 2019