



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

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013 - UNAUDITED**

	<b>31/12/2013</b> <b>RM'000</b>	31/12/2012 RM'000
<b>Assets</b>		
Property, plant and equipment	<b>85,705</b>	81,219
Intangible assets	<b>3,705</b>	14,897
Concession intangible assets	-	123,807
Trade and other receivables	-	515,236
Investment properties	<b>8,446</b>	8,446
Investment in associate	<b>27,850</b>	28,329
Other investments	<b>86</b>	86
Deferred tax assets	<b>2,780</b>	2,420
<b>Total non-current assets</b>	<b>128,572</b>	774,440
Trade and other receivables, including derivatives	<b>254,529</b>	309,674
Inventories	<b>25,078</b>	26,404
Current tax assets	<b>1,037</b>	1,366
Cash and cash equivalents	<b>175,448</b>	115,392
	<b>456,092</b>	452,836
Assets classified as held for sale	<b>630,700</b>	-
<b>Total current assets</b>	<b>1,086,792</b>	452,836
<b>Total assets</b>	<b>1,215,364</b>	1,227,276
<b>Equity</b>		
Share capital	<b>304,152</b>	260,869
Reserves	<b>109,291</b>	75,995
Retained earnings	<b>98,883</b>	79,691
<b>Total equity attributable to owners of the Company</b>	<b>512,326</b>	416,555
<b>Non-controlling interests</b>	<b>215,345</b>	225,490
<b>Total equity</b>	<b>727,671</b>	642,045
<b>Liabilities</b>		
Loans and borrowings	<b>21,100</b>	263,078
Deferred tax liabilities	<b>4,128</b>	6,495
<b>Total non-current liabilities</b>	<b>25,228</b>	269,573
Trade and other payables, including derivatives	<b>179,261</b>	230,429
Loans and borrowings	<b>10,295</b>	80,582
Current tax liabilities	<b>1,805</b>	4,647
Dividend payable	<b>280</b>	-
Liabilities classified as held for sale	<b>270,824</b>	-
<b>Total current liabilities</b>	<b>462,465</b>	315,658
<b>Total liabilities</b>	<b>487,693</b>	585,231
<b>Total equity and liabilities</b>	<b>1,215,364</b>	1,227,276
Net assets per share (RM)	<b>0.84</b>	0.80

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 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 FOURTH QUARTER ENDED 31 DECEMBER 2013 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
<b>Continuing operations</b>				
<b>Revenue</b>	91,093	61,445	169,761	182,146
Cost of sales	(78,834)	(59,380)	(138,640)	(159,642)
<b>Gross Profit</b>	12,259	2,065	31,121	22,504
Other income	1,287	11,264	2,001	14,508
Other expenses	(2,775)	(1,572)	(2,790)	(1,572)
Tendering and distribution costs	(1,593)	(645)	(3,434)	(3,219)
Administrative expenses	(24,322)	(8,383)	(50,560)	(33,703)
<b>(Loss)/Profit from operations</b>	(15,144)	2,729	(23,662)	(1,482)
Interest expense	(2,048)	(1,993)	(7,285)	(5,772)
Interest income	214	290	1,302	2,360
Share of profit after tax and minority interest of associates	861	1,014	3,173	3,483
<b>(Loss)/Profit before tax</b>	(16,117)	2,040	(26,472)	(1,411)
Taxation	(697)	(865)	(2,548)	(1,951)
<b>(Loss)/Profit from continuing operations</b>	(16,814)	1,175	(29,020)	(3,362)
<b>Discontinued operations</b>				
Profit from discontinued operations	50,881	15,159	87,618	34,824
<b>Profit for the period</b>	34,067	16,334	58,598	31,462
<b>Profit attributable to:</b>				
Owners of the Company	20,257	8,106	24,585	11,282
Non-controlling interests	13,810	8,228	34,013	20,180
<b>Profit for the period</b>	34,067	16,334	58,598	31,462
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	(2.88)	0.22	(4.98)	(1.09)
- from discontinued operations	6.22	1.34	8.77	3.29
Total	3.34	1.56	3.79	2.20
Diluted (loss)/earnings per ordinary share (sen)				
- from continuing operations	(2.80)	0.21	(4.86)	(1.04)
- from discontinued operations	6.05	1.28	8.55	3.16
Total	3.25	1.49	3.69	2.12

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2013 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/12/2013 RM'000</b>	31/12/2012 RM'000	<b>31/12/2013 RM'000</b>	31/12/2012 RM'000
<b>Profit for the period</b>	<b>34,067</b>	16,334	<b>58,598</b>	31,462
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation differences for foreign operations	<b>(3,368)</b>	11,915	<b>44,303</b>	(4,546)
<b>Total other comprehensive income/(expense)</b>	<b>(3,368)</b>	11,915	<b>44,303</b>	(4,546)
<b>Total comprehensive income for the period</b>	<b>30,699</b>	28,249	<b>102,901</b>	26,916
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>13,538</b>	17,693	<b>47,570</b>	9,706
Non-controlling interests	<b>17,161</b>	10,556	<b>55,331</b>	17,210
<b>Total comprehensive income for the period</b>	<b>30,699</b>	28,249	<b>102,901</b>	26,916

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 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 FOURTH QUARTER ENDED 31 DECEMBER 2013 – UNAUDITED**

	← Attributable to Owners of the Company →							Distributable	Non-controlling interests	Total equity
	← Non – distributable				Share					
	Share capital	Share premium	Warrant reserve	Translation reserve	Share option reserve	Revaluation reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2012</b>	237,154	36,627	22,150	6,227	2,347	150	84,743	389,398	159,032	548,430
- effect of adopting MFRSs	-	-	-	8,658	-	(150)	(8,508)	-	-	-
<b>At 1 January 2012, restated</b>	237,154	36,627	22,150	14,885	2,347	-	76,235	389,398	159,032	548,430
Total comprehensive income for the period	-	-	-	(1,576)	-	-	11,282	9,706	17,210	26,916
Share-based payment transactions	-	-	-	-	1,562	-	-	1,562	-	1,562
Acquisition by non-controlling interests	-	-	-	-	-	-	-	-	44,708	44,708
Issuance of shares - private placement	23,715	-	-	-	-	-	-	23,715	-	23,715
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	8,680	8,680
Dividends to shareholders	-	-	-	-	-	-	(7,826)	(7,826)	-	(7,826)
Dividends to minority interest	-	-	-	-	-	-	-	-	(4,140)	(4,140)
<b>At 31 December 2012, restated</b>	<b>260,869</b>	<b>36,627</b>	<b>22,150</b>	<b>13,309</b>	<b>3,909</b>	<b>-</b>	<b>79,691</b>	<b>416,555</b>	<b>225,490</b>	<b>642,045</b>
<b>At 1 January 2013</b>	260,869	36,627	22,150	13,309	3,909	-	79,691	416,555	225,490	642,045
Total comprehensive income for the period	-	-	-	22,985	-	-	24,585	47,570	55,331	102,901
Share-based payment transactions	-	-	-	-	5,167	-	-	5,167	-	5,167
Issuance of shares - private placement	27,013	4,592	-	-	-	-	-	31,605	-	31,605
Acquisition by non-controlling interests	-	-	-	-	-	-	-	-	6,493	6,493
Acquisition of the remaining interest from the non-controlling interests	-	-	-	-	-	-	-	-	(39,228)	(39,228)
Disposal of interest for non-controlling interests	-	-	-	-	-	-	-	-	(32,079)	(32,079)
Transfer to share premium for share options exercised	-	6,066	-	-	(6,066)	-	-	-	-	-
Share option exercised	16,271	552	-	-	-	-	-	16,823	-	16,823
Dividends to shareholders	-	-	-	-	-	-	(5,393)	(5,393)	-	(5,393)
Dividends to minority interest	-	-	-	-	-	-	-	-	(662)	(662)
<b>At 31 December 2013</b>	<b>304,152</b>	<b>47,837</b>	<b>22,150</b>	<b>36,294</b>	<b>3,010</b>	<b>-</b>	<b>98,883</b>	<b>512,326</b>	<b>215,345</b>	<b>727,671</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 2012 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2013 – UNAUDITED**

	<b>12 months Ended 31/12/2013 RM'000</b>	<b>12 months Ended 31/12/2012 RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit/(Loss) before tax from:		
- continuing operations	(26,472)	(1,411)
- discontinued operations	95,722	40,306
Adjustments for :		
- Non-cash items	(15,423)	(5,180)
- Non-operating items	3,627	4,936
Operating profit before changes in working capital	<u>57,454</u>	<u>38,651</u>
Changes in working capital	(41,431)	(33,702)
Cash generate from operations	<u>16,023</u>	4,949
Income taxes paid	(10,988)	(4,924)
Interest paid	(21,041)	(16,295)
<b>Net cash used in operating activities</b>	<b><u>(16,006)</u></b>	<b><u>(16,270)</u></b>
<b><u>Cash flows from investing activities</u></b>		
- Proceeds from disposal of property, plant and equipment	302	606
- Acquisition of property, plant and equipment	(8,869)	(55,061)
- Acquisition of concession intangible assets	(24,131)	(10,156)
- Acquisition of subsidiary, net of cash acquired	-	(53,445)
- Acquisition of the remaining interest from the non-controlling interest	(32,687)	-
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents disposed of	141,122	-
- Acquisition of investment properties	-	(3,342)
- Dividends received from associated company	3,652	3,804
- Release of amount placed with debts service reserve accounts	4,402	-
- Interest received	1,870	2,898
<b>Net cash from/(used in) investing activities</b>	<b><u>85,661</u></b>	<b><u>(114,696)</u></b>
<b><u>Cash flows from financing activities</u></b>		
- Net proceeds from issue of shares capital	48,428	23,715
- Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	6,493	8,680
- Proceeds from bank borrowings	126,389	101,753
- Repayments of bank borrowings	(235,215)	(77,723)
- Dividends paid to shareholders of Salcon Berhad	(5,393)	(7,826)
- Dividends paid to non-controlling interests	(1,935)	(3,146)
- Payment of hire purchase liabilities	(4,530)	(4,957)
<b>Net cash (used in)/generated from financing activities</b>	<b><u>(65,763)</u></b>	<b><u>40,496</u></b>
Net decrease in cash and cash equivalents	3,892	(90,470)
Cash and cash equivalents at beginning of period	110,406	208,626
Exchange differences on translation of the financial statements of foreign entities	60,179	(7,750)
<b>Cash and cash equivalents at end of period</b>	<b><u>174,477</u></b>	<b><u>110,406</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 2012 and the accompanying explanatory notes attached to the interim financial statements.



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

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

	<b>12 months Ended 31/12/2013 RM'000</b>	12 months Ended 31/12/2012 RM'000
Cash and bank balances	<b>140,800</b>	41,362
Deposits placed with licensed banks	<b>34,648</b>	74,030
Bank overdrafts	<b>(971)</b>	(584)
	<b><u>174,477</u></b>	<u>114,808</u>
Less: Amount placed with debts service reserve accounts	-	(4,402)
	<b><u>174,477</u></b>	<u>110,406</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.



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**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2013**

**A. 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 2012 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 2012. The audited financial statements of the Group as at and for the year ended 31 December 2012 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 2012 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 2013.

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012***

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013***

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*



- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

The adoption of the abovementioned MFRSs, Amendments to MFRSs and IC Interpretations will have no material impact on the financial statements of the Group.

At the date of authorization of these interim financial statements, the followings MFRSs, Amendments to MFRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015***

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

## **2. Preceding Annual Financial Statement**

The audit report of the Group's annual financial statements prepared under FRS for the year ended 31 December 2012 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 31 December 2013.

## **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 31 December 2013 other than the issuance of 54,025,268 new ordinary shares of RM0.50 each pursuant to the placement of new ordinary shares at RM0.585 each and the issuance of 32,541,000 new ordinary shares of RM0.50 each pursuant to the Employee's Share Option Scheme.

## 7. Dividends Paid

The dividend paid for the cumulative quarter ended 31 December 2013 is as follows:-

	<b>Cumulative Quarter To-date 31/12/13 RM'000</b>
First and final single tier dividend of 1.0 sen per share in respect of financial year ended 31 December 2012 was paid on 27 August 2013	<u><u>5,393</u></u>

## 8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2013 are as follows:-

	Constructions	Concessions	Others	Total Continuing Operations	Discontinued Operations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	155,287	1,164	13,310	169,761	202,864	372,625
Share of profit of associate	-	3,173	-	3,173	-	3,173
Segment profit/(loss)	(19,234)	1,692	692	(16,850)	95,693	78,843
Depreciation and amortization	(1,265)	(26)	(2,348)	(3,639)	(2,326)	(5,965)
Finance costs	(5,855)	(574)	(856)	(7,285)	(13,756)	(21,041)
Finance income	946	228	128	1,302	16,111	17,413
Income tax expense	(2,658)	45	65	(2,548)	(8,104)	(10,652)
Profit/(Loss) after tax	<u>(28,066)</u>	<u>1,365</u>	<u>(2,319)</u>	<u>(29,020)</u>	<u>87,618</u>	<u>58,598</u>
Segment assets	<u>296,769</u>	<u>42,356</u>	<u>128,190</u>	<u>467,315</u>	<u>748,050</u>	<u>1,215,365</u>
<i>Included in the measure of segment assets are:</i>						
Investment in associate	-	27,850	-	27,850	-	27,850
Additions to non-current assets other than financial instruments and deferred tax assets	4,723	1	4,435	9,159	23,841	33,000



## 9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2013. 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 19 February 2014 (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) 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 Berhad ("Salcon"), had on 26 June 2013 acquired 2 Ordinary Shares of RM1.00 each, representing 100% equity interest in Eco Tours Asia Sdn Bhd (Company No. 1049876-W) ("ETA"), a company incorporated in Malaysia, for a total cash consideration of RM2.00 ("the Acquisition"). Subsequent to the Acquisition, ETA shall become a wholly-owned subsidiary of ECT, which in turn is a subsidiary of the Salcon.
- (ii) Salcon Water International Pte. Ltd. ("SWIPL"), a wholly-owned subsidiary of Salcon Berhad ("Salcon"), which was incorporated in the Republic of Singapore and is dormant had been struck off from the Singapore's Register of Companies effective 15 August 2013 pursuant to subsection (4) of Section 344 of the Singapore Companies Act as published in the Republic of Singapore Government Gazette dated 23 August 2013. The striking off of SWIPL does not have any material effect on the earnings and net assets of Salcon Group for the financial year ending 31 December 2013, and the share capital of the Company.
- (iii) The entire issued and paid-up share capital of Salcon Darco Environmental Pte. Ltd. and Salcon Jiangsu (HK) Limited were disposed to Beijing Enterprises Water Group Limited on 23 December 2013.

## 12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 31 December 2013 are as follows:-

	<b>RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	178,110
Guarantees given in favour of third parties	<u>10,918</u>



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

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

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	512,326
No. of shares	<u>608,304</u>
NA per share (RM)	<u>0.84</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 31/12/2013 RM'000	Cumulative Quarter To-date 31/12/2013 RM'000
Continuing operations		
Malaysian - current period	697	2,744
- prior years	-	(196)
	<u>697</u>	<u>2,548</u>
Discontinued operations		
Overseas - current period	<u>2,633</u>	<u>8,104</u>
	<u>2,633</u>	<u>8,104</u>

The Group's lower effective tax rate (excluding the results of associates which is equity accounted net of tax) is mainly due to certain overseas income is exempted from tax.

**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.



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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.

The Company and BEWG had on 13 January 2014 mutually agreed to an extension of 45 days, from 15 January 2014 to 1 March 2014 for the fulfillment of the Conditions-B of the SPA-B.

The status of the utilisation of the proceeds as at 19 February 2014 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 RM'000	Actual Utilisation RM'000	Estimated Timeframe for Utilisation	Deviation RM'000	%	Explanation
Future investments	230,000	-	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	-	Within 12 months	Nil	Nil	Not Completed
Working capital	10,397	(2,611)	Within 24 months	Nil	Nil	Not Completed
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	Within 3 months	(64)	4	Completed
<b>Total</b>	<b>369,374</b>	<b>(101,652)</b>		<b>-</b>	<b>-</b>	<b>-</b>

### 3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2013 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	-	11,657	11,657
Finance lease creditors	9,443	-	9,443
	<u>9,443</u>	<u>11,657</u>	<u>21,100</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	971	971
Revolving credits	-	1,000	1,000
Bankers acceptances	-	2,106	2,106
Term loan	-	2,605	2,605
Finance lease creditors	3,613	-	3,613
	<u>3,613</u>	<u>6,682</u>	<u>10,295</u>
<b>Total Group Borrowings</b>	<u><u>13,056</u></u>	<u><u>18,339</u></u>	<u><u>31,395</u></u>



Included in the above Group borrowings are the following loans denominated in Chinese Renminbi (RMB) :

	Foreign currency RMB'000	Equivalent RM'000
Long Term Borrowings (Unsecured)	21,499	11,657
Short Term Borrowings (Unsecured)	<u>3,399</u>	<u>1,843</u>

#### **4. Changes in Material Litigation**

There was no material update as at 19 February 2014 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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

For the current financial quarter, the Group revenue increased by 232% and the loss before tax increased by 335% as compared with the immediate preceding quarter.

The revenue recorded in the Constructions Division was higher by 267% as compared to the immediate preceding quarter. The higher construction revenue is the results of variation orders received from various projects. However, higher operating expenses has resulted higher loss before tax of RM11.37 million as compared to loss before tax of RM5.35 million in the same period of the preceding quarter.

In the Concessions Division, revenue recorded has decreased slightly by 3% and profit before tax increased by 4% as a result of lower operating expenses during the current quarter.

Higher revenue recorded in the discontinued concessions operations by 48% as compared to the same period in the preceding year. The profit from the discontinued concessions operations increased by 318% arises from the gain on disposal of its subsidiaries of RM26.11 million.

For the Others Division, revenue was higher by 6%. This Division has incurred loss before tax of RM3.80 million as compared to profit before tax of RM0.52 million as a result of assets written off amounting to RM2.77 million.

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

For the current financial quarter under review, the Group achieved higher revenues amounting to RM91.09 million as compared to RM61.45 million for the same period in the preceding year or an increase of 48%. However, the Group recorded a loss before taxation of RM16.12 million as compared to profit before tax of RM2.04 million for the corresponding period in the preceding year.

The higher revenue was mainly attributable to the Constructions Division, whereby it recorded an increase of 46% as compared to the same period in the preceding year. Higher operating expenses has resulted the Division to incur losses of RM11.37 million as compared to profit before tax of RM4.69 million in the same period of the preceding year.

In the Concessions Division, revenue recorded has increased slightly by 3% and profit before tax decreased by 15% as a result of lower share of profit from the associates company.

Higher revenue recorded in the discontinued concessions operations by 54% as compared to the same period in the preceding year. The profit from the discontinued concessions operations increased by 236% arises from the gain on disposal of its subsidiaries of RM26.11 million.



In the Others Division, revenue was higher by 14% as compared to the same period in the preceding year. As a result of assets written off, this Division has recorded a higher loss before tax of 363% as compared to the corresponding period in the preceding year.

For the cumulative quarter to date, the Group recorded revenue and loss before tax of RM169.76 million and RM26.47 million as compared to RM182.15 million and RM1.41 million respectively to the corresponding cumulative quarter in the preceding year.

In the Constructions Division, revenue was 9% higher when compared to the corresponding cumulative quarter in the preceding year as a result of variation orders received from various projects. Higher operating expenses has resulted the Division to incur losses of RM20.35 million as compared to loss before tax of RM2.22 million in the same period of the preceding year.

The discontinued concessions operations recorded revenue RM202.86 million during the current cumulative quarter as compared to RM165.80 million respectively for the same period in the preceding year which was attributed by the new acquisitions of Salcon Darco Environmental Pte. Ltd. and its' subsidiaries on 8 August 2012. The profit from the discontinued concessions operations increased by 152% arises from the gain on disposal of its subsidiaries of RM26.11 million.

In the Concessions Division, revenue recorded has decreased by 94% due to a termination of a concession agreement in China on 12 November 2012.

For the Others Division, revenue was higher by 2%. This Division has incurred loss before tax of RM2.38 million as compared to profit before tax of RM0.21 million as a result of assets written off amounting to RM2.77 million.

## **7. Prospects**

The Johor mixed commercial and residential development is targeted to be embarked in the second half of 2014.

The Group is leveraging on its strong financial position to selectively look up for strategic land or joint venture to further expand on the property development segment.

The Group is also actively pursuing for the opportunity of the water and waste water projects being tendered in Malaysia.

## **8. Variance of Profit Forecast / Profit Guarantee**

Not applicable as there was no profit forecast or profit guarantee issued.

## **9. Proposed Dividend**

The Board of Directors intend to propose a final dividend of 3 sen (single tier tax exempt) per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2013 for the approval of the shareholders at the Eleventh Annual General Meeting.



**10. Financial instruments - derivatives**

As at 31 December 2013, the Group has the following outstanding foreign currency forward contracts under derivative financial instruments with the notional value of RM4.10 million:

Derivatives	Carrying Value RM'000	Fair Value RM'000
Foreign currency forward contracts – less than one year	15	15

**11. 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 31/12/2013	Comparative Quarter Ended 31/12/2012	Cumulative Quarter To-date	
			31/12/2013	31/12/2012
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(17,446)	1,124	(32,337)	(5,544)
- discontinued operations	37,703	6,982	56,922	16,826
	<u>20,257</u>	<u>8,106</u>	<u>24,585</u>	<u>11,282</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	521,738	474,308	521,738	474,308
Effect of shares issued during the period ('000)	84,022	47,431	127,095	36,415
Weighted average number of ordinary shares ('000)	<u>605,760</u>	<u>521,739</u>	<u>648,833</u>	<u>510,723</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	(2.88)	0.22	(4.98)	(1.09)
- discontinued operations	6.22	1.34	8.77	3.29
Total	<u>3.34</u>	<u>1.56</u>	<u>3.79</u>	<u>2.20</u>





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**Diluted earnings per share**

	Current Quarter Ended 31/12/2013	Comparative Quarter Ended 31/12/2012	Cumulative Quarter To-date	
			31/12/2013	31/12/2012
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(17,446)	1,124	(32,337)	(5,544)
- discontinued operations	37,703	6,982	56,922	16,826
	<u>20,257</u>	<u>8,106</u>	<u>24,585</u>	<u>11,282</u>
<b><u>Weighted average number of ordinary shares (diluted)</u></b>				
Weighted average number of ordinary shares as above ('000)	605,760	521,739	648,833	510,723
Effect of approved unexercised ESOS ('000)	16,938	22,183	16,938	22,183
Weighted average number of ordinary shares (diluted)	<u>622,698</u>	<u>543,922</u>	<u>665,771</u>	<u>532,906</u>
Diluted (loss)/earnings per share (sen)				
- continuing operations	(2.80)	0.21	(4.86)	(1.04)
- discontinued operations	6.05	1.28	8.55	3.16
Total	<u>3.25</u>	<u>1.49</u>	<u>3.69</u>	<u>2.12</u>

**12. Realised and Unrealised Profits**

	As at 31/12/2013 RM'000	As at 31/12/2012 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	168,207	117,303
- Unrealised	7,927	(4,476)
	<u>176,134</u>	<u>112,827</u>
Total share of retained profits from associated company:		
- Realised	9,702	6,529
Total share of retained profits from jointly controlled entities:		
- Realised	1,496	1,496
	<u>187,332</u>	<u>120,852</u>
Less: Consolidation adjustments	(88,449)	(41,161)
Total Group retained earnings as per consolidated accounts	<u>98,883</u>	<u>79,691</u>



**13. Notes to the Condensed Consolidated Statement of Comprehensive Income**

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

	Current Quarter Ended 31/12/2013 RM'000	Cumulative Quarter To-date 31/12/2013 RM'000
Foreign Exchange Gain	1,158	203
Foreign Exchange Loss	(569)	(1,268)
Depreciation and amortization	1,150	(5,965)
	<u>1,739</u>	<u>(7,030)</u>

**Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2014.

**ON BEHALF OF THE BOARD**

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

Selangor Darul Ehsan  
26 February 2014