



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 March 2015 - UNAUDITED**

	31/03/2015 RM'000	31/12/2014 RM'000
Assets		
Property, plant and equipment	75,145	73,816
Intangible assets	21,831	21,831
Investment properties	8,446	8,446
Investment in associate	28,595	27,674
Investment in joint ventures	24,378	22,898
Deferred tax assets	5,864	5,864
Total non-current assets	164,259	160,529
Trade and other receivables, including derivatives	176,203	205,991
Inventories	147,752	146,061
Current tax assets	1,337	1,311
Assets classified as held for sale	141,865	142,042
Cash and cash equivalents	269,899	294,453
Total current assets	737,056	789,858
Total assets	901,315	950,387
Equity		
Share capital	337,575	337,320
Reserves	154,645	146,808
Retained earnings	63,895	56,288
Total equity attributable to owners of the Company	556,115	540,416
Non-controlling interests	57,545	101,550
Total equity	613,660	641,966
Liabilities		
Loans and borrowings	83,505	84,951
Deferred tax liabilities	9,054	9,327
Total non-current liabilities	92,559	94,278
Trade and other payables, including derivatives	93,609	113,498
Loans and borrowings	13,046	13,594
Current tax liabilities	1,881	1,702
Liabilities classified as held for sale	86,560	85,349
Total current liabilities	195,096	214,143
Total liabilities	287,655	308,421
Total equity and liabilities	901,315	950,387
Net assets per share (RM)	0.82	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 2014 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
Continuing operations				
Revenue	21,407	40,422	21,407	40,422
Cost of sales	(18,685)	(33,136)	(18,685)	(33,136)
Gross Profit	2,722	7,286	2,722	7,286
Other income	13,330	107	13,330	107
Other expenses	-	-	-	-
Distribution expenses	(461)	(980)	(461)	(980)
Administrative expenses	(7,647)	(8,512)	(7,647)	(8,512)
Profit/(Loss) from operating activities	7,944	(2,099)	7,944	(2,099)
Finance costs	(290)	(396)	(290)	(396)
Finance income	1,778	1,531	1,778	1,531
Share of profit of equity-accounted associate/ joint ventures, net of tax	1,058	815	1,058	815
Profit/(Loss) before tax	10,490	(149)	10,490	(149)
Tax expense	(587)	(1,240)	(587)	(1,240)
Profit from continuing operations	9,903	(1,389)	9,903	(1,389)
Discontinued operations				
Profit from discontinued operations, net of tax	(4,588)	32,399	(4,588)	32,399
Profit for the period	5,315	31,010	5,315	31,010
Profit/(Loss) attributable to:				
Owners of the Company	7,607	16,393	7,607	16,393
Non-controlling interests	(2,292)	14,617	(2,292)	14,617
Profit for the period	5,315	31,010	5,315	31,010
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	1.37	(0.53)	1.37	(0.53)
- from discontinued operations	(0.25)	3.22	(0.25)	3.22
Total	1.13	2.69	1.13	2.69
Diluted (loss)/earnings per ordinary share (sen)				
- from continuing operations	1.37	(0.52)	1.37	(0.52)
- from discontinued operations	(0.24)	3.16	(0.24)	3.16
Total	1.13	2.64	1.13	2.64

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2015 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
Profit for the period	5,315	31,010	5,315	31,010
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(1,066)	(19,630)	(1,066)	(19,630)
Total other comprehensive income/(expense)	(1,066)	(19,630)	(1,066)	(19,630)
Total comprehensive income for the period	4,249	11,380	4,249	11,380
Total comprehensive income attributable to:				
Owners of the Company	8,160	(2,827)	8,160	(2,827)
Non-controlling interests	(3,911)	14,207	(3,911)	14,207
Total comprehensive income for the period	4,249	11,380	4,249	11,380

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2015 – UNAUDITED**

	Attributable to Owners of the Company							Distributable		Non-controlling interests	Total equity
	Non – distributable			Share				Retained earnings	Total		
	Share capital	Share premium	Warrant reserve	Translation reserve	Share option reserve	Capital reserve	Treasure shares				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2014	304,152	46,955	22,150	30,529	3,391	-	-	99,242	506,419	213,937	720,356
Total comprehensive income for the period	-	-	-	(19,220)	-	-	-	16,393	(2,827)	14,207	11,380
Share option exercised	2,555	162	-	-	-	-	-	-	2,717	-	2,717
Share-based payment transactions	-	-	-	-	41	-	-	-	41	-	41
Issuance of shares											
- exercise of Warrants 2007/2014	1	1	-	-	-	-	-	-	2	-	2
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	3	3
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	25	25	(23)	2
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	-	-	(88,411)	(88,411)
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(289)	(289)
At 31 March 2014	306,708	47,118	22,150	11,309	3,432	-	-	115,660	506,377	139,424	645,801
At 1 January 2015	337,320	84,937	-	2,235	482	63,188	(4,034)	56,288	540,416	101,550	641,966
Total comprehensive income for the period	-	-	-	553	-	-	-	7,607	8,160	(3,911)	4,249
Own shares acquired	-	-	-	-	-	-	(927)	-	(927)	-	(927)
Resale of treasury shares	-	-	-	-	-	-	4,851	-	4,851	-	4,851
Share-based payment transactions	-	-	-	-	20	-	-	-	20	-	20
Capital reduction in a subsidiary	-	-	-	-	-	-	-	-	-	(39,790)	(39,790)
Government grants received during the year	-	-	-	-	-	3,307	-	-	3,307	-	3,307
Share option exercised	255	136	-	-	(103)	-	-	-	288	-	288
Dividends to minority interest	-	-	-	-	-	-	-	-	-	(304)	(304)
At 31 March 2015	337,575	85,073	-	2,788	399	66,495	(110)	63,895	556,115	57,545	613,660

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2015 – UNAUDITED**

	3 months Ended 31/03/2015 RM'000	3 months Ended 31/03/2014 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax from:		
- continuing operations	10,490	(149)
- discontinued operations	<u>(4,588)</u>	<u>32,399</u>
	5,902	32,250
Adjustments for :		
- Non-cash items	(12,255)	(33,087)
- Non-operating items	<u>(1,431)</u>	<u>(1,090)</u>
Operating profit before changes in working capital	<u>(7,784)</u>	<u>(1,927)</u>
Changes in working capital	<u>21,053</u>	<u>(2,919)</u>
Cash used in operations	13,269	(4,846)
Income taxes paid	(708)	(291)
Interest paid	<u>(361)</u>	<u>(448)</u>
Net cash (used in)/generated from operating activities	<u>12,200</u>	<u>(5,585)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	-	38
- Acquisition of property, plant and equipment	(2,168)	1,307
- Acquisition of joint venture	(1,342)	-
- Capital reduction in a subsidiary	<u>(43,150)</u>	-
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	-	224,400
- Interest received	<u>1,792</u>	<u>1,538</u>
Net cash from/(used in) investing activities	<u>(44,868)</u>	<u>227,283</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares capital	288	2,719
- Purchase of treasury shares	(927)	-
- Proceed from resale of treasury shares	5,956	-
- Proceeds from issuance of equity shares in subsidiaries to non-controlling interests	-	3
- Government grants received	3,307	-
- Proceeds from bank borrowings	-	3,708
- Repayments of bank borrowings	(1,056)	(3,514)
- Dividends paid to non-controlling interests	(304)	(289)
- Payment of hire purchase liabilities	<u>(1,118)</u>	<u>(1,104)</u>
Net cash from financing activities	<u>6,146</u>	<u>1,523</u>
Net increase/(decrease) in cash and cash equivalents	(26,522)	223,221
Cash and cash equivalents at beginning of period	293,392	146,427
Exchange differences on translation of the financial statements of foreign entities	2,554	(2,692)
Cash and cash equivalents at end of period	<u>269,424</u>	<u>366,956</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



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

	3 months Ended 31/03/2015 RM'000	3 months Ended 31/03/2014 RM'000
Cash and bank balances	169,790	115,029
Deposits placed with licensed banks	100,109	257,298
Bank overdrafts	(475)	(5,371)
	<u>269,424</u>	<u>366,956</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2015

(i) EXPLANATORY NOTES PURSUANT TO MFRS 134 – Interim Financial Reporting

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 – *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. It also complies with IAS 34 – *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and with the explanatory notes attached herein. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last audited financial statements for year ended 31 December 2014. The audited financial statements of the Group as at and for the year ended 31 December 2014 were prepared under Malaysian Financial Reporting Standards (MFRSs).

1.1 Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for year ended 31 December 2014 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 2015.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*



MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 1 which is not applicable to the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14 and Amendments to MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9



2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2014 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 first quarter ended 31 March 2015.

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 current quarter ended 31 March 2015 other than:

a) Issuance of ordinary share capital

Issuance of 509,000 new ordinary shares of RM0.50 each pursuant to the exercise of the Employee's Share Option Scheme.

b) Share buy-back

The Company repurchased 1,509,500 ordinary shares of RM0.50 each of its issued share capital from the open market, at an average costs of RM0.61 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 RM0.93 million and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

c) Resale of treasury shares

During the financial period, the Company disposed 8,000,000 of its issued ordinary shares held as treasury shares for a total consideration of RM5.96 million in the open market at an average price of RM0.74 per share. As at 31 March 2015, the number of treasury shares held after deducting the disposal was 174,500 shares.

7. Dividends Paid

There were no payment of dividend for the quarter ended 31 March 2015.



8. Segmental Reporting

The segmental revenue and results of the Group for the quarter ended 31 March 2015 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	(2,238)	1,265	831	(106)	(248)	(4,440)	4,688
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	17,978	321	3,098	-	21,407	9,198	30,605
Share of profit of associate	-	921	-	-	921	-	921
Share of profit of joint venture	350	-	(213)	-	137	-	137
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(256)	-	(1,068)	(22)	(1,345)	(91)	(1,436)
Finance costs	(16)	-	(274)	-	(290)	(71)	(361)
Finance income	920	-	857	1	1,778	14	1,792
Income tax expense	(512)	-	(75)	-	(587)	-	(587)
Segment assets	404,889	29,000	169,235	134,499	737,623	163,692	901,315
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	28,595	-	-	28,595	-	28,595
Investment in joint venture	2,701	-	21,677	-	24,378	-	24,378
Additions to non-current assets other than financial instruments and deferred tax assets	609	-	1,560	-	2,169	-	2,169



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

	RM'000
Profit	
Total loss for reportable segments	(248)
Depreciation and amortisation	(1,345)
Finance costs	(290)
Finance income	1,778
Unrealised/ realised foreign exchange gain	11,571
Unallocated expenses:	
Corporate expenses	(976)
Consolidated profit before tax from continuing operations	<u>10,490</u>
Loss from discontinued operations, net of tax	<u>(4,588)</u>
Consolidated profit before tax	<u><u>5,902</u></u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the quarter ended 31 March 2015. 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 21 May 2015 (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 had on 18 March 2015, incorporated a wholly-owned subsidiary, Salcon Petroleum Services Sdn Bhd ("SPSSB"), in Malaysia under the Companies Act, 1965.

The present authorised share capital of SPSSB is RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. The intended principal activity of SPSSB is provision of petroleum related services.

The incorporation of SPSSB will not have any material effect on the earnings or net assets of Salcon Group for the financial year ending 31 December 2015. It will not have any effect on the share capital and substantial shareholders' shareholdings of the Company as well.



12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 31 March 2015 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	105,858
Guarantees given in favour of third parties	<u>10,918</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	556,115
No. of shares	<u>675,150</u>
NA per share (RM)	<u>0.82</u>



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

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 31/03/2015 RM'000	Cumulative Quarter To-date 31/03/2015 RM'000
Continuing operations		
Malaysian - current period	587	587
- prior years	-	-
	587	587

The Group's higher effective tax rate (excluding the results of associates which is equity accounted net of tax) is mainly due to non-eligible of transferring the Group relief to the losses subsidiaries.

2. Status of Corporate Proposals

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

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

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

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

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

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



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The Company and BEWG had on 25 May 2015 mutually agreed to an eighth extension till 23 August 2015 for the fulfillment of the Conditions-B of the SPA-B.

The status of the utilisation of the proceeds as at 21 May 2015 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	(34,000)	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	(20,230)	Within 12 months	Nil	Nil	Not Completed
Working capital	10,397	(6,976)	Within 24 months	Nil	Nil	Not Completed
Defraying expenses incidental to the Proposed Disposals	1,437	(1,501)	Within 3 months	(64)	4	Completed
Total	369,374	(160,247)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2015 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	70,000	10,853	80,853
Finance lease creditors	2,652	-	2,652
	<u>72,652</u>	<u>10,853</u>	<u>83,505</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	475	475
Term loan	6,000	2,037	8,037
Finance lease creditors	4,534	-	4,534
	<u>10,534</u>	<u>2,512</u>	<u>13,046</u>
Total Group Borrowings	<u>83,186</u>	<u>13,365</u>	<u>96,551</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)	16,400	9,829
Short Term Borrowings (Unsecured)	3,400	2,037

4. Changes in Material Litigation

There was no material update as at 21 May 2015 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) other than the following Litigations involving Linyi Salcon Water Co. Ltd ("LSWC"), a 60% owned subsidiary of Salcon Linyi (HK) Ltd, which in turn is a 99.9% owned subsidiary of Salcon Water (Asia) Ltd, which in turn is a 60% owned subsidiary of the Company:-

1. Linyi Water Group Ltd ("the Plaintiff") Vs LSWC ("the Defendant") ("Litigation 1")

On 20 November 2013, the Plaintiff filed a legal claim against the Defendant for a total outstanding consideration amounting to RMB27,445,261 (equivalent to approximately RM14,985,113*), inclusive of an interest of RMB6,406,120 (equivalent to approximately RM3,497,742*) related to the acquisition of assets owned by Linyi Water Supply Co. Ltd.

The Defendant contested that the outstanding consideration was supposed to be RMB11,574,425 (equivalent to approximately RM6,319,636*) without any interest imposed.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court against the Defendant for a judgement sum of RMB10,820,542 (equivalent to approximately RM5,908,016).

The Defendant had on 26 November 2014 filed an appeal to the High Court of Shandong province.

2. Linyi Water Group Ltd ("the Plaintiff") Vs LSWC ("the Defendant") ("Litigation 2")

On 9 December 2013, the Plaintiff filed a legal claim against the Defendant for a total amount of RMB26,694,826 (equivalent to approximately RM14,575,375*), being the rental of the raw water pipelines for the period from 1 January 2006 to 30 November 2013.

The Defendant contested to strike off the legal claim on the ground that there is non-existence of the binding agreement in respect of the rental claimed.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court against the Defendant for a judgement sum of RMB26,694,826 (equivalent to approximately RM14,575,375).

3. LSWC ("the Plaintiff") Vs Linyi Water Group Ltd ("the Defendant") ("Litigation 3")

On 12 January 2014, the Plaintiff filed a legal claim against the Defendant for a total amount of RMB18,325,078 (equivalent to approximately RM10,005,493*) in relation to the retirement benefits paid on behalf of the Defendant in respect of the early retired employees.

The Defendant had on 14 November 2014 received Paper of Civil Judgement from the Linyi City Civil Court that the legal claim against the Defendant was rejected.



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 decreased by 80% but has recorded a profit before tax of RM10.49 million as compared to profit before tax of RM7.49 million in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 81% as compared to the immediate preceding quarter due to lower progress of projects. As a result of lower revenue, the division recorded a loss before tax of RM2.69 million as compared to profit before tax of RM15.49 million in the immediate preceding quarter.

The Property Development Division has recorded a loss before tax of RM0.13 million as compared to profit before tax of RM1.25 million in the preceding quarter due to higher interest income received in the preceding quarter.

In the Concessions Division, minimal variances was recorded on the revenue and profit before tax increased marginally by 8% as compared with the immediate preceding quarter.

For the Trading and Services Division, revenue decreased by 32%. This Division has recorded profit before tax of RM0.35 million as compared to loss before tax of RM7.94 million as a result of assets and stocks written off amounting to RM5.31 million in the immediate preceding quarter.

Lower revenue was recorded in the discontinued concessions operations by 78% in the current financial quarter as compared with the immediate preceding quarter. The Division recorded loss before tax of RM4.59 million as compared to profit before tax of RM3.85 million due to the higher cost on purchase of treated water due to temporary shutdown of the water plant.

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

For the current financial quarter under review, the Group achieved lower revenue amounting to RM21.41 million as compared to RM40.42 million for the same period in the preceding year or a decrease of 47%. Profit before taxation of RM10.49 million was recorded in the current quarter as compared to loss before tax of RM0.15 million for the same period in the preceding year substantially attributed by the unrealized gain on foreign exchange.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 42% as compared to the same period in the preceding year. Lower revenue had resulted the Division to incur loss before tax of RM2.69 million as compared to profit before tax of RM0.41 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM0.13 million as compared to profit before tax of RM0.77 million for the same period in the preceding year due to recognition of revenue in the preceding year.

In the Concessions Division, revenue and profit before tax was RM332,000 and RM1.27 million as compared to RM298,000 and RM1.10 million respectively for the same period in the preceding year.

In the Trading and Services Division, revenue was lower by 18% as compared to the same period in the preceding year. The Division recorded profit before tax of RM0.35 million as compared to loss before tax of RM0.62 million for the same period in the preceding year due to higher operating expenses in the preceding year.



Higher revenue was recorded in the discontinued concessions operations by 11% and loss before tax was RM4.59 million as compared to profit before tax of RM32.25 million due to the disposal of its subsidiaries in the preceding year.

7. Prospects

The Group has a robust pipeline of projects and is currently bidding for RM1.8 billion worth of water and wastewater projects, both local and overseas.

Its subsidiary, Volksbahn Technologies Sdn Bhd (VBT) has recently signed an MOU with Celcom Axiata to enhance connectivity and digital services for LRT and monorail users in the Klang Valley. The Group looks forward to positive contribution from VBT as we finalize the agreements in the near future to commence the services.

8. Variance of Profit Forecast / Profit Guarantee

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

9. Financial instruments - derivatives

As at 31 March 2015, the Group has the following outstanding foreign currency forward contracts under derivative financial instruments with the notional value of RM0.71 million:

Derivatives	Carrying Value RM'000	Fair Value RM'000
Foreign currency forward contracts – less than one year	2	2



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 31/03/2015	Comparative Quarter Ended 31/03/2014	Cumulative Quarter To-date 31/03/2015	Cumulative Quarter To-date 31/03/2014
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	9,262	(3,253)	9,262	(3,253)
- discontinued operations	(1,655)	19,646	(1,655)	19,646
	<u>7,607</u>	<u>16,393</u>	<u>7,607</u>	<u>16,393</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	674,640	608,305	674,640	608,305
Effect of shares issued during the period ('000)	119	1,873	119	1,873
Weighted average number of ordinary shares ('000)	<u>674,759</u>	<u>610,178</u>	<u>674,759</u>	<u>610,178</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	1.37	(0.53)	1.37	(0.53)
- discontinued operations	(0.25)	3.22	(0.25)	3.22
Total	<u>1.13</u>	<u>2.69</u>	<u>1.13</u>	<u>2.69</u>

Diluted earnings per share

	Current Quarter Ended 31/03/2015	Comparative Quarter Ended 31/03/2014	Cumulative Quarter To-date 31/03/2015	Cumulative Quarter To-date 31/03/2014
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	9,262	(3,253)	9,262	(3,253)
- discontinued operations	(1,655)	19,646	(1,655)	19,646
	<u>7,607</u>	<u>16,393</u>	<u>7,607</u>	<u>16,393</u>
<u>Weighted average number of ordinary shares (diluted)</u>				
Weighted average number of ordinary shares as above ('000)	674,759	610,178	674,759	610,178
Effect of approved unexercised ESOS ('000)	1,805	11,362	1,805	11,362
Weighted average number of ordinary shares (diluted)	<u>676,564</u>	<u>621,540</u>	<u>676,564</u>	<u>621,540</u>
Diluted (loss)/earnings per share (sen)				
- continuing operations	1.37	(0.52)	1.37	(0.52)
- discontinued operations	(0.24)	3.16	(0.24)	3.16
Total	<u>1.13</u>	<u>2.64</u>	<u>1.13</u>	<u>2.64</u>



SALCON BERHAD (Company No: 593796-T)

11. Realised and Unrealised Profits

	As at 31/03/2015 RM'000	As at 31/12/2014 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	113,800	132,828
- Unrealised	4,838	11,387
	118,638	144,215
Total share of retained profits from associated company:		
- Realised	6,795	5,874
Total share of retained profits from jointly controlled entities:		
- Realised	635	498
	126,068	150,587
Less: Consolidation adjustments	(62,173)	(94,299)
Total Group retained earnings as per consolidated accounts	63,895	56,288

12. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 31/03/2015 RM'000	Cumulative Quarter To-date 31/03/2015 RM'000
Foreign Exchange Gain	12,225	12,225
Foreign Exchange Loss	(790)	(790)
Depreciation and amortization	(302)	(302)
	11,133	11,133



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 28 May 2015.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
28 May 2015