SALCON BERHAD (Company No: 593796-T)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 MARCH 2017 - UNAUDITED

	31/03/2017 RM'000	31/12/2016 RM'000
Assets		
Property, plant and equipment	62,107	63,490
Intangible assets	30,781	21,831
Investment properties	8,457	8,485
Investment in associate	28,242	27,224
Investment in joint ventures	36,624	36,231
Deferred tax assets	4,903	3,698
Total non-current assets	171,114	160,959
Trade and other receivables, including derivatives	123,490	154,143
Inventories	342,929	194,719
Current tax assets	844	1,615
Cash and cash equivalents	173,319	215,941
Total current assets	640,582	566,418
Total assets	811,696	727,377
Equity		
Share capital	338,847	338,847
Reserves	78,009	76,645
Retained earnings	64,691	68,490
Total equity attributable to owners of the Company	481,547	483,982
Non-controlling interests	35,175	39,126
Total equity	516,722	523,108
Liabilities		
Loans and borrowings	125,302	48,062
Deferred tax liabilities	9,460	9,460
Total non-current liabilities	134,762	57,522
Trade and other payables, including derivatives	133,231	119,617
Loans and borrowings	25,854	24,988
Current tax liabilities	1,127	2,142
Total current liabilities	160,212	146,747
Total liabilities	294,974	204,269
Total equity and liabilities	811,696	727,377
Net assets per share (RM)	0.75	0.75

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

SALCON BERHAD (Company No: 593796-T)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE FIRST QUARTER ENDED 31 MARCH 2017 - UNAUDITED

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Continuing operations				
Revenue	19,415	15,857	19,415	15,857
Cost of sales	(9,850)	(12,248)	(9,850)	(12,248)
Gross Profit	9,565	3,609	9,565	3,609
Other income	1,835	422	1,835	422
Other expenses	-	-	-	-
Distribution expenses	(2,175)	(918)	(2,175)	(918)
Administrative expenses	(14,552)	(19,604)	(14,552)	(19,604)
Profit/(Loss) from operating activities	(5,327)	(16,491)	(5,327)	(16,491)
Finance costs	(1,086)	(1,229)	(1,086)	(1,229)
Finance income	765	519	765	519
Share of profit of equity-accounted associate/ joint ventures, net of tax	1,410	2,555	1,410	2,555
Profit/(Loss) before tax	(4,238)	(14,646)	(4,238)	(14,646)
Tax expense	(139)	(479)	(139)	(479)
Profit/(Loss) from continuing operations	(4,377)	(15,125)	(4,377)	(15,125)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	-	(5,140)	-	(5,140)
Profit/(Loss) for the period	(4,377)	(20,265)	(4,377)	(20,265)
Profit/(Loss) attributable to:				
Owners of the Company	(3,799)	(16,697)	(3,799)	(16,697)
Non-controlling interests	(578)	(3,568)	(578)	(3,568)
Profit/(Loss) for the period	(4,377)	(20,265)	(4,377)	(20,265)
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	(0.59)	(2.23)	(0.59)	(2.23)
- from discontinued operations	-	(0.28)	-	(0.28)
Total	(0.59)	(2.51)	(0.59)	(2.51)

The Condensed Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017 - UNAUDITED

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	**Current Year Todate**	Preceding Year Corresponding Period
	31/03/2017	31/03/2016	**31/03/2017**	31/03/2016
	RM'000	RM'000	**RM'000**	RM'000
Profit/(Loss) for the period	**(4,377)**	(20,265)	**(4,377)**	(20,265)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	**(1,612)**	(3,334)	**(1,612)**	(3,334)
Total other comprehensive income/(expense)	**(1,612)**	(3,334)	**(1,612)**	(3,334)
Total comprehensive income/(expense) for the period	**(5,989)**	(23,599)	**(5,989)**	(23,599)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	**(2,168)**	(27,813)	**(2,168)**	(27,813)
Non-controlling interests	**(3,821)**	4,214	**(3,821)**	4,214
Total comprehensive income/(expense) for the period	**(5,989)**	(23,599)	**(5,989)**	(23,599)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2017 - UNAUDITED

	Attributable to Owners of the Company								
	Non – distributable				Distributable				
	Share capital	Share premium	Translation reserve	Capital reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2016	338,847	85,618	10,797	102,377	(3,499)	42,608	576,748	27,213	603,961
Total comprehensive income for the period	-	-	(11,116)	-	-	(16,697)	(27,813)	4,214	(23,599)
Own shares acquired	-	-	-	-	(4,362)	-	(4,362)	-	(4,362)
At 31 March 2016	**338,847**	**85,618**	**(319)**	**102,377**	**(7,861)**	**25,911**	**544,573**	**31,427**	**576,000**
At 1 January 2017	338,847	85,618	12,525	-	(21,498)	68,490	483,982	39,126	523,108
Total comprehensive income for the period	-	-	1,631	-	-	(3,799)	(2,168)	(3,821)	(5,989)
Own shares acquired	-	-	-	-	(267)	-	(267)	-	(267)
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,381	1,381
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	4,855	4,855
Capital reduction in a subsidiary	-	-	-	-	-	-	-	(6,366)	(6,366)
At 31 March 2017	**338,847**	**85,618**	**14,156**	**-**	**(21,765)**	**64,691**	**481,547**	**35,175**	**516,722**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017 - UNAUDITED

	3 months Ended 31/03/2017 RM'000	3 months Ended 31/03/2016 RM'000
Cash flows from operating activities		
Profit/(Loss) before tax from:		
- continuing operations	**(4,238)**	(14,646)
- discontinued operations	**-**	(5,105)
	(4,238)	(19,751)
Adjustments for :		
- Non-cash items	**(2,755)**	9,845
- Non-operating items	**322**	754
Operating loss before changes in working capital	**(6,671)**	(9,152)
Changes in working capital	**36,680**	(23,242)
Cash generated from/(used in) operations	**30,009**	(32,394)
Income taxes paid	**(1,588)**	(493)
Net cash from/(used in) operating activities	**28,421**	(32,887)
Cash flows from investing activities		
- Proceeds from disposal of property, plant and equipment	**82**	-
- Acquisition of property, plant and equipment	**(142)**	(455)
- Acquisition of land held for property development	**(136,452)**	-
- Acquisition of subsidiary, net of cash acquired	**(4,580)**	-
- Capital reduction in a subsidiary	**(5,143)**	-
- Interest received	**765**	533
Net cash from/(used in) investing activities	**(145,470)**	78
Cash flows from financing activities		
- Purchase of treasury shares	**(267)**	(4,363)
- Proceeds from bank borrowings	**83,296**	-
- Interest paid	**(1,086)**	(1,287)
- Repayments of bank borrowings	**(5,868)**	(1,226)
- Payment of hire purchase liabilities	**(336)**	(1,223)
Net cash from/(used in) financing activities	**75,739**	(8,099)
Net increase/(decrease) in cash and cash equivalents	**(41,310)**	(40,908)
Cash and cash equivalents at beginning of period	**214,781**	276,683
Exchange differences on translation of the financial statements of foreign entities	**(2,324)**	1,998
Cash and cash equivalents at end of period	**171,147**	237,773

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2017 – UNAUDITED

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

	3 months Ended 31/03/2017 RM'000	3 months Ended 31/03/2016 RM'000
Cash and bank balances	**119,277**	109,851
Deposits placed with licensed banks	**54,042**	132,954
	173,319	242,805
Bank overdrafts	**(1,205)**	(4,065)
Pledged deposits	**(967)**	(967)
	171,147	237,773

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(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 2016 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 2016. The audited financial statements of the Group as at and for the year ended 31 December 2016 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 2016 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 2017.

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

- Amendments to MFRS 12*, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

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

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

- MFRS 16, *Leases*

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 2017 for those amendments 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 and intrepretations that are effective for annual periods beginning on or after 1 January 2018, except for those marked with "*" which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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 is 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 is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

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

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

(iv) Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

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

2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements prepared under MFRSs for the year ended 31 December 2016 was not subject to any qualification.

3. Seasonal or Cyclical Factors

The principal activities of the Group are not subject to any seasonal or cyclical changes.

4. Unusual Items that Affect the Financial Statements

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the quarter ended 31 March 2017.

5. Material Changes in Estimates

There were no changes in the estimates of amounts reported in prior financial years that have a material effect in the current interim period.

6. Debt and Equity Securities

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter ended 31 March 2017 other than:

a) Share buy-back

The Company repurchased 440,000 ordinary shares 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 RM267,000 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.

7. Dividends Paid

There were no payment of dividend for the quarter ended 31 March 2017.

8. Segmental Reporting

The segmental revenue and results of the Group for the quarter ended 31 March 2017 are as follows:-

	Constructions RM'000	Concessions RM'000	Trading & Services RM'000	Property Development RM'000	Consolidated RM'000
Segment profit	1,459	1,509	345	(4,529)	(1,216)
Included in the measure of segment profit are:					
Revenue from external customers	13,950	401	5,064	-	19,415
Share of profit of associate	-	1,099	(82)	-	1,017
Share of profit of joint venture	928	-	(535)	-	393
Not included in the measure of segment profit but provided to Chief Operating Officer:					
Depreciation and amortization	(219)	-	(31)	-	(250)
Finance costs	(19)	-	(93)	(974)	(1,086)
Finance income	670	3	67	25	765
Income tax expense	(1,032)	(4)	(85)	982	(139)
Segment assets	287,097	29,657	146,449	348,493	811,696
Included in the measure of segment assets are:					
Investment in associate	-	28,577	(335)	-	28,242
Investment in joint venture	20,021	-	16,603	-	36,624
Additions to non-current assets other than financial instruments and deferred tax assets	5	-	137	-	142

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

	RM'000
Profit	
Total profit for reportable segments	(1,216)
Depreciation and amortisation	(1,454)
Finance costs	(1,086)
Finance income	765
Unrealised/ realised foreign exchange gain/(loss)	43
Unallocated expenses:	
Corporate expenses	(1,290)
Consolidated profit/(loss) before tax	(4,238)

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 March 2017. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the interim period up to 22 May 2017 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report), that have not been reflected in the financial statement for the interim period.

11. Effect of Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the following:-

i) On 3 January 2017, an Extraordinary General Meeting ("EGM") had been held by Circlic Interactive Tourism Sdn. Bhd ("CITSB"), a 65%-owned subsidiary of Salcon Water International Limited ("SWIL") which in turn a wholly-owned subsidiary of the Company, to allot and issue 192,857 new ordinary shares of RM1.00 each for a total cash consideration of RM192,857. Following the subscription, CITSB remained a 65%-owned subsidiary of the Company.

ii) On 5 January 2017, the Company's wholly-owned subsidiary, namely Salcon Water International Limited ("SWIL"), had entered into agreement with Mr.See Che Chi ("SCC") for the acquisition of additional 1.5 million of ordinary shares of RM1 each in Signcharge Sdn. Bhd. ("SCSB"), representing 51.1% of the issued and paid-up share capital of SCSB for a total purchase consideration of RM0.6 million. The proposed acquisition was completed on 20 January 2017.

iii) On 25 January 2017, Circlic Interactive Tourism Sdn. Bhd. ("CITSB"), a 65%-owned subsidiary of Salcon Water International Limited ("SWIL") which in turn a wholly-owned subsidiary of the Company, had acquired 2 ordinary shares of RM1.00 each, representing 100% equity interest in Enrich Signature Sdn. Bhd ("ESSB") for a total cash consideration of RM2. Following the acquisition, ESSB became a 65% indirect-owned subsidiary of the Company.

iv) On 25 January 2017, the Company had acquired 2 ordinary shares of RM1.00 each, representing 100% equity interest in Anggerik Megajaya Sdn. Bhd ("AMSB") for a total cash consideration of RM2. Following the acquisition, AMSB had become a wholly-owned of the Company.

v) On 27 January 2017, the Company's wholly-owned subsidiary, namely Salcon Water International Limited ("SWIL"), had acquired 2 ordinary shares of RM1.00 each, representing 100% equity interest in Baiduri Nyaman Sdn. Bhd ("BNSB") for a total cash consideration of RM2. Following the acquisition, AMSB had become a wholly-owned of the Company.

vi) On 8 February 2017, the Company's wholly-owned subsidiary, Salcon Water International Limited ("SWIL") has renamed to Salcon Xinlian Group Limited ("SXGL").

On the same date, the Company had entered into an agreement with Mr.See Che Chi ("SCC") and Dato Mohamed Nizam Bin Abdul Razak ("Dato' Nizam") to increase the issued and paid-up share capital in SXGL from HKD10 million to HKD19.6 million by way of subscription of new shares in SXGL by SCC and Dato' Nizam. Following the subscription, the Company's equity interest in SXGL will be reduced from 100% to 51.02% and SXGL remained as a subsidiary of the Company. The subscription was completed in 17 February 2017.

vii) On 16 February 2017, Tanjung Jutaria Sdn. Bhd. ("TJSB"), a wholly-owned subsidiary of Salcon Engineering Berhad ("SEB") which in turn a wholly-owned subsidiary of the Company, has entered into agreement with Total Safety AS ("TSA") and Enocate AS ("Enovate") for the proposed acquisition of 100,000 ordinary shares in Rayvn AS ("RAS") for a total purchase consideration of NOK1.5 million.

On the same date, TJSB had entered into agreement with RAS to subscribe 818,182 ordinary shares of NOK4.278 each in RAS for a consideration of NOK3.5 million. Upon completion of the transactions, RAS will become a 50.5% subsidiary of the Company.

viii) On 21 February 2017, the Company's wholly-owned subsidiary, namely Anggerik Megajaya Sdn. Bhd ("AMSB") had changed its name to Salcon Xinlian Sdn Bhd ("SXSB").

On the same date, SXSB had incorporated a wholly-owned subsidiary, Juviter Group Sdn Bhd ("JGSB") with the initial and paid-up share capital of RM1.00 comprising of 1 ordinary shares of RM1.00 each. The intended principal activities of JGSB are entertainment, event, film and television production, commercial advertising as well as information technology and software development.

ix) On 28 February 2017, Enrich Signature Sdn. Bhd. ("ESSB"), a wholly-owned subsidiary of Circlic Interactive Tourism Sdn. Bhd. ("CITSB") which in turn a 65%-owned subsidiary of Salcon Xinlian Group Limited which in turn a 51.02%-owned subsidiary of the Company, has changed its name to Wisdom Sports (M) Sdn Bhd ("WSSB").

On 28 February 2017, CITSB had entered into an agreement with Shenzhen Wisdom Sports Industry Co. Ltd to form a joint venture through WSSB for the purpose of organising and managing Belt and Road Marathon Majors ("BRMS") to be held in Malaysia. Following the proposed subscription, CITSB's equity interest in WSSB will be reduced from 100% to 45% and WSSB will cease to be an indirect subsidiary of the Company.

12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 31 March 2017 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	37,511
Guarantees given in favour of third parties	10,918

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	481,547
No. of shares	642,244
NA per share (RM)	0.75

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 31/03/2017 RM'000	Cumulative Quarter To-date 31/03/2017 RM'000
Continuing operations		
Malaysian - current period	139	139
	139	139

The Group's higher effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) is mainly due to tax underprovided in prior years.

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.

Salcon Water had on 25 April 2016 mutually agreed with BEWG to proceed with the completion of the proposed disposals of the entire issued and paid-up share capital of Salcon Fujian (HK) Limited, Salcon

Zhejiang (HK) Limited and Salcon Shandong (HK) Limited, in accordance with Clause 4.6 of SPA-B. Furthermore, in accordance with Clause 4.6 of SPA-B, the Company and Salcon Water had also on even date mutually agreed with BEWG to terminate the proposed disposal of the entire issued and paid-up share capital of Salcon Linyi (HK) Limited ("Given Up Target-B"), in view that certain Conditions-B in respect of Salcon Linyi (HK) Limited have not been fulfilled or waived. For information purposes, the disposal consideration in respect of the Given Up Target-B is RMB130 million.

The status of the utilisation of the proceeds as at 22 May 2017 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	(93,399)	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 Disposals	1,437	(1,501)	Within 3 months	(64)	4	Completed
Total	369,374	(243,393)		-	-	-

Salcon together with Salcon Water (Asia) Limited ("SWA"), a 60%-owned subsidiary of the Company, had on 26 April 2016 entered into a Share Sale and Purchase Agreement with Orient Harmony Holdings Limited ("OHHK") for the disposal by Salcon and SWA of 40,345,802 shares of HK$1.00 each fully paid up in Salcon Linyi (HK) Limited ("SLHK"), representing 100% of the total issued and paid-up share capital of SLHK to OHHL for a total cash sale consideration of RMB98,000,000.00 only.

The status of the utilisation of the proceeds as at 22 May 2017 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	Amount Allocated	Actual Utilisation	Estimated Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Future investments	24,753	(24,753)	Within 24 months	Nil	Nil	Completed
Working capital	10,609	(10,609)	Within 24 months	Nil	Nil	Completed
Total	35,362	(35,362)		-	-	-

3. Group Borrowings and Debt Securities

Total Group borrowings as at 31 March 2017 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Long Term Borrowings			
Term loan	120,240	848	121,088
Finance lease creditors	4,214	-	4,214
	124,454	848	125,302
Short Term Borrowings			
Bank overdrafts	-	1,205	1,205
Term loan	23,333		23,333
Finance lease creditors	1,316	-	1,316
	24,649	1,205	25,854
Total Group Borrowings	149,103	2,053	151,156

4. Changes in Material Litigation

There was no material update as at 22 May 2017 (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 decreased by 50%. Loss before tax of RM4.24 million in the current quarter as compared to profit before tax of RM2.20 million in the immediate preceding quarter substantially attributed by the unrealized gain on foreign exchange in the immediate preceding quarter.

The revenue recorded in the Constructions Division was lower by 60% as compared to the immediate preceding quarter due to lower progress of projects. As a result of lower revenue, the division recorded a lower profit before tax of RM1.70 million as compared to profit before tax of RM7.54 million in the immediate preceding quarter.

The Property Development Division has recorded a loss before tax of RM5.48 million as compared to loss before tax of RM2.99 million in the preceding quarter due to higher operating expenses in the current quarter.

In the Concessions Division, minimal variance was recorded on the revenue and profit before tax decreased marginally by 5% as compared with the immediate preceding quarter.

For the Trading and Services Division, revenue increased by 49%. This Division has recorded a loss before tax of RM915,000 as compared to loss before tax of RM2.64 million due to higher revenue of the solar power business in the current quarter.

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 RM19.41 million as compared to RM31.03 million for the same period in the preceding year or a decrease of 37%. Loss before taxation of RM4.24 million was recorded in the current quarter as compared to loss before tax of RM19.75 million for the same period in the preceding year substantially attributed by the unrealized loss on foreign exchange for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 14% as compared to the same period in the preceding year. Higher gross profit due to cost savings from projects had resulted the Division to record profit before tax of RM1.70 million as compared to profit before tax of RM109,000 for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM5.48 million as compared to loss before tax of RM1.86 million for the same period in the preceding year due to higher operating expenses.

In the Concessions Division, revenue and profit before tax was RM401,000 and RM1.51 million as compared to RM375,000 and RM1.26 million respectively for the same period in the preceding year.

In the Trading and Services Division, revenue was higher by 56% as compared to the same period in the preceding year. The Division recorded a loss before tax of RM915,000 as compared to loss before tax of RM2.34 million for the same period in the preceding year due to higher revenue of the solar power business in the current quarter.

7. Prospects

The Group maintains a positive outlook for this financial year. Despite the challenging market environment, the water industry has good growth potential with a total of RM2 billion allocated in the Malaysia Budget 2017 to improve capacity and address water supply issues in various states. The Group seeks to actively replenish its order books by tendering for projects in Malaysia, Sri Lanka, Indonesia, Vietnam and Myanmar with tenders totalling RM 2.3 billion.

As for the property division, the proposed tie-up with Eco World International Bhd will render greater financial strength and expertise to undertake the development of the Australia Yarra One project.

The Group is also busy with its new venture, e-commerce travel and tourism division, by leveraging on the business opportunities arising from the 'One Belt, One Road' initiative and with the expected increase of China tourists arrivals into Malaysia. Activities of this new venture include Online-to-Offline (O2O) business trading and tourism e-commerce.

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 2017, the Group has no outstanding foreign currency forward contracts under derivative financial instruments.

10. Earnings Per Share

The basic and diluted earnings per share have been calculated based on the consolidated net profit attributable to equity holders of the parent for the period and the weighted average number of ordinary shares outstanding during the period as follows:

Basic earnings per share

	Current Quarter Ended	Comparative Quarter Ended	Cumulative Quarter To-date	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(3,799)	(14,845)	(3,799)	(14,845)
- discontinued operations	-	(1,852)	-	(1,852)
	(3,799)	(16,697)	(3,799)	(16,697)
Weighted average number of ordinary shares				
Issued ordinary shares at beginning of period ('000)	642,684	672,694	642,684	672,694
Effect of shares repurchased during the period ('000)	(199)	(6,179)	(199)	(6,179)
Weighted average number of ordinary shares ('000)	642,485	666,515	642,485	666,515
Basic (loss)/earnings per share (sen)				
- continuing operations	(0.59)	(2.23)	(0.59)	(2.23)
- discontinued operations	-	(0.28)	-	(0.28)
Total	(0.59)	(2.51)	(0.59)	(2.51)

11. Realised and Unrealised Profits

	As at 31/03/2017 RM'000	As at 31/12/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	129,197	126,699
- Unrealised	4,038	7,166
	133,235	133,865
Total share of retained earnings from associated company:		
- Realised	14,584	13,566
Total share of retained earnings from joint ventures:		
- Realised	8,061	7,668
	155,880	155,099
Less: Consolidation adjustments	(91,189)	(86,609)
Total Group retained earnings as per consolidated accounts	64,691	68,490

12. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 31/03/2017 RM'000	Cumulative Quarter Ended 31/03/2017 RM'000
Foreign Exchange Gain	932	932
Foreign Exchange Loss	(934)	(934)
Depreciation and amortization	(250)	(250)
	(252)	(252)

Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 May 2017.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
29 May 2017