



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2017 - UNAUDITED**

	30/09/2017 RM'000	31/12/2016 RM'000
Assets		
Property, plant and equipment	61,569	63,490
Intangible assets	28,819	21,831
Investment properties	8,457	8,485
Investment in associate	25,539	27,224
Investment in joint ventures	43,570	36,231
Other investments	675	-
Deferred tax assets	3,698	3,698
Total non-current assets	172,327	160,959
Trade and other receivables, including derivatives	142,567	154,143
Inventories	223,642	194,719
Current tax assets	3,438	1,615
Cash and cash equivalents	167,783	215,941
Total current assets	537,430	566,418
Total assets	709,757	727,377
Equity		
Share capital	338,847	338,847
Reserves	98,427	76,645
Retained earnings	36,786	68,490
Total equity attributable to owners of the Company	474,060	483,982
Non-controlling interests	30,558	39,126
Total equity	504,618	523,108
Liabilities		
Loans and borrowings	29,028	48,062
Deferred tax liabilities	9,460	9,460
Total non-current liabilities	38,488	57,522
Trade and other payables, including derivatives	139,160	119,617
Loans and borrowings	26,474	24,988
Current tax liabilities	1,017	2,142
Total current liabilities	166,651	146,747
Total liabilities	205,139	204,269
Total equity and liabilities	709,757	727,377
Net assets per share (RM)	0.70	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.



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2017 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Continuing operations				
Revenue	18,654	22,949	59,562	60,507
Cost of sales	(14,309)	(18,431)	(43,377)	(49,325)
Gross Profit	4,345	4,518	16,185	11,182
Other income	557	1,738	2,574	2,509
Other expenses	(3,877)	-	(3,877)	-
Distribution expenses	(1,023)	(389)	(2,566)	(2,400)
Administrative expenses	(13,273)	(5,842)	(39,178)	(29,981)
Profit/(Loss) from operating activities	(13,271)	25	(26,862)	(18,690)
Finance costs	(957)	(1,107)	(3,114)	(3,547)
Finance income	348	278	2,267	1,098
Share of profit of equity-accounted associate/ joint ventures, net of tax	5,210	1,081	10,470	7,255
Profit/(Loss) before tax	(8,670)	277	(17,239)	(13,884)
Tax expense	1,387	(1,719)	12	(2,590)
Profit/(Loss) from continuing operations	(7,283)	(1,442)	(17,227)	(16,474)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	8,382	(78)	2,647	37,971
Profit/(Loss) for the period	1,099	(1,520)	(14,580)	21,497
Profit/(Loss) attributable to:				
Owners of the Company	3,040	(755)	(9,805)	10,476
Non-controlling interests	(1,941)	(765)	(4,775)	11,021
Profit/(Loss) for the period	1,099	(1,520)	(14,580)	21,497
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	(0.79)	(0.11)	(1.84)	(2.01)
- from discontinued operations	1.24	(0.01)	0.39	3.60
Total	0.45	(0.12)	(1.45)	1.59

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.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2017 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Profit/(Loss) for the period	1,099	(1,520)	(14,580)	21,497
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(455)	5,040	(1,888)	10,688
Total other comprehensive income/(expense)	(455)	5,040	(1,888)	10,688
Total comprehensive income/(expense) for the period	644	3,520	(16,468)	32,185
Total comprehensive income/(expense) attributable to:				
Owners of the Company	3,362	3,888	(7,580)	7,794
Non-controlling interests	(2,718)	(368)	(8,888)	24,391
Total comprehensive income/(expense) for the period	644	3,520	(16,468)	32,185

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.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2017 - UNAUDITED**

	← Attributable to Owners of the Company →						→	Non-controlling interests	Total equity
	← Non – distributable →			Distributable					
	Share capital	Share premium	Translation reserve	Capital reserve	Treasury shares	Retained earnings			
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	-	-	(2,682)	-	-	10,476	7,794	24,391	32,185
Own shares acquired	-	-	-	-	(17,210)	-	(17,210)	-	(17,210)
Disposal of interest in subsidiaries	-	-	-	(75,045)	-	-	(75,045)	3,672	(71,373)
Government grants transferred to retained earnings	-	-	-	(27,332)	-	27,332	-	-	-
Dividends to shareholders	-	-	-	-	-	(13,294)	(13,294)	-	(13,294)
Dividends to minority interest	-	-	-	-	-	-	-	(14,779)	(14,779)
At 30 September 2016	338,847	85,618	8,115	-	(20,709)	67,122	478,993	40,497	519,490
At 1 January 2017	338,847	85,618	12,525	-	(21,498)	68,490	483,982	39,126	523,108
Total comprehensive income for the period	-	-	2,225	-	-	(9,805)	(7,580)	(8,888)	(16,468)
Own shares acquired	-	-	-	-	(2,342)	-	(2,342)	-	(2,342)
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,426	1,426
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	5,647	5,647
Capital reduction in a subsidiary	-	-	-	-	-	-	-	(6,366)	(6,366)
Dividends to shareholders	-	-	-	-	21,899	(21,899)	-	-	-
Dividends to minority interest	-	-	-	-	-	-	-	(387)	(387)
At 30 September 2017	338,847	85,618	14,750	-	(1,941)	36,786	474,060	30,558	504,618

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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2017 - UNAUDITED**

	9 months Ended 30/09/2017 RM'000	9 months Ended 30/09/2016 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax from:		
- continuing operations	(17,239)	(14,161)
- discontinued operations	27	38,083
	<u>(17,212)</u>	<u>23,922</u>
Adjustments for :		
- Non-cash items	(6,684)	(39,412)
- Non-operating items	847	1,687
Operating loss before changes in working capital	<u>(23,049)</u>	<u>(13,803)</u>
Changes in working capital	16,509	(35,726)
Cash generated from/(used in) operations	<u>(6,540)</u>	<u>(49,529)</u>
Income taxes paid	(2,935)	(821)
Net cash from/(used in) operating activities	<u>(9,475)</u>	<u>(50,350)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	187	-
- Proceeds from disposal of other investments	655	-
- Acquisition of property, plant and equipment	(3,078)	(473)
- Acquisition of subsidiary, net of cash acquired	(6,486)	-
- Acquisition of associate company	-	(245)
- Acquisition of other investments	(1,350)	-
- Capital reduction in a subsidiary	(5,143)	-
- Disposal of discontinued operation		
- Proceeds from disposal, net of cash and cash equivalents	(2,265)	29,654
- Dividends received from associated company	4,816	4,320
- Interest received	2,267	834
Net cash from/(used in) investing activities	<u>(10,397)</u>	<u>34,090</u>
<u>Cash flows from financing activities</u>		
- Purchase of treasury shares	(2,342)	(8,055)
- Proceeds from bank borrowings	-	4,000
- Interest paid	(3,114)	(2,521)
- Repayments of bank borrowings	(17,597)	(1,291)
- Dividends paid to owners of the company	-	(13,294)
- Dividends paid to non-controlling interests	(947)	(16,870)
- Payment of hire purchase liabilities	(1,012)	(2,485)
Net cash from/(used in) financing activities	<u>(25,012)</u>	<u>(40,516)</u>
Net increase/(decrease) in cash and cash equivalents	(44,884)	(56,776)
Cash and cash equivalents at beginning of period	214,781	276,683
Exchange differences on translation of the financial statements of foreign entities	(4,234)	8,823
Cash and cash equivalents at end of period	<u>165,663</u>	<u>228,730</u>

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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 2017 – UNAUDITED**

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

	9 months Ended 30/09/2017 RM'000	9 months Ended 30/09/2016 RM'000
Cash and bank balances	48,036	147,602
Deposits placed with licensed banks	119,747	85,585
	167,783	233,187
Bank overdrafts	(1,153)	(3,490)
Pledged deposits	(967)	(967)
	165,663	228,730

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 CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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 interpretations 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 cumulative quarter ended 30 September 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 cumulative quarter ended 30 September 2017 other than:

a) Share buy-back

The Company repurchased 4,653,300 ordinary shares of its issued share capital from the open market, at an average costs of RM0.50 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 RM2.34 million and were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.



SALCON BERHAD (Company No: 593796-T)

7. Dividends Paid

During the cumulative quarter ended 30 September 2016, the Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every eighteen (18) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2016. The total number of treasury shares distributed was 35,663,238 shares or equivalent to RM21.90 million.

The final dividend was fully credited into the entitled depositors' securities accounts of the shareholders maintained with Bursa Malaysia Depository Sdn Bhd on 12 July 2017.



8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 September 2017 are as follows:-

	Constructions RM'000	Concessions RM'000	Trading & Services RM'000	Property Development RM'000	Total Continuing Operations	Discontinued Operations RM'000	Consolidated RM'000
Segment profit	(185)	4,583	(6,910)	(3,584)	(6,096)	(667)	(6,764)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	43,010	1,185	15,367	-	59,562	-	59,562
Share of profit of associate	-	3,486	(355)	-	3,131	-	3,131
Share of profit of joint venture	8,406	-	(1,067)	-	7,339	-	7,339
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(671)	-	(267)	(1)	(939)	(685)	(1,624)
Finance costs	(53)	-	(386)	(2,675)	(3,114)	-	(3,114)
Finance income	1,692	5	491	79	2,267	9	2,276
Income tax expense	3	-	(268)	277	12	2,620	2,632
Segment assets	294,027	26,329	106,352	283,049	709,757	-	709,757
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	26,147	(608)	-	-	-	25,539
Investment in joint venture	27,499	-	16,071	-	-	-	43,570
Additions to non-current assets other than financial instruments and deferred tax assets	212	-	597	-	-	-	809



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

	RM'000
Profit	
Total profit for reportable segments	(6,096)
Depreciation and amortisation	(4,093)
Finance costs	(3,114)
Finance income	2,267
Unrealised/ realised foreign exchange gain/(loss)	(2,268)
Unallocated expenses:	
Corporate expenses	(3,935)
Consolidated profit/(loss) before tax from continuing operations	<u>(17,239)</u>
Profit from discontinued operations, net of tax	2,647
Consolidated profit before tax	<u>(14,592)</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 September 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 15 November 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 Circlit 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, Circlit 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.



SALCON BERHAD (Company No: 593796-T)

- 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 subsidiary 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, BNSB had become a wholly-owned subsidiary 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 on 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 Enovate 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 also 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 became 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 paid-up share capital of RM1.00 comprising of 1 ordinary share. 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 Circlis 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 (“SHENZHEN WISDOM”) to form a joint venture through WSSB for the purpose of organising and managing Belt and Road Marathon Majors to be held in Malaysia. WSSB has on 24 August 2017 increased its issued share capital from RM2.00 to RM1,000,000.00 by way of subscription of shares in WSSB by CITSB and SHENZHEN WISDOM (“Subscription”) for cash consideration as follows:



SALCON BERHAD (Company No: 593796-T)

Allottees	Before the Subscription		No. of new ordinary shares allotted on 24 August 2017	Total Cash Consideration	After the Subscription	
	No. of ordinary shares held	%			No. of ordinary shares held	%
CIRCLIC	2	100	449,998	RM449,998.00	450,000	45
SHENZHEN WISDOM	-	-	550,000	RM550,000.00	550,000	55
Total	2	100	999,998	RM999,998.00	1,000,000	100

Subsequent to the Subscription, CITSB's equity interest in WSSB is reduced from 100% to 45% and WSSB ceased as an indirect subsidiary of the Company.

12. Changes in Contingent Liabilities/Contingent Assets

The contingent liabilities as at financial period ended 30 September 2017 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	32,317
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	474,060
No. of shares	<u>673,694</u>
NA per share (RM)	<u>0.70</u>



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

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 30/09/2017 RM'000	Cumulative Quarter To-date 30/09/2017 RM'000
Continuing operations		
Malaysian - current period	(1,323)	39
- prior years	(64)	(64)
Overseas - current period	-	13
	<u>(1,387)</u>	<u>(12)</u>

The Group's lower effective tax rate (excluding the results of associates and joint ventures which are equity accounted net of tax) in the cumulative quarter to-date is mainly due to certain income were not taxable.

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 BERHAD (Company No: 593796-T)

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 15 November 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	(109,356)	Within 24 months	Nil	Nil	Not Completed
Repayment of borrowings	97,540	(97,540)	Within 6 months	Nil	Nil	Completed
Distribution to shareholders	30,000	(40,556)	Within 12 months	(10,556)	35	Completed
Working capital	10,397	(10,397)	Within 24 months	Nil	Nil	Completed
Defraying expenses incidental to the Proposed Disposal	1,437	(1,501)	Within 3 months	(64)	4	Completed
Total	369,374	(259,350)		-	-	-

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 OHHK for a total cash sale consideration of RMB98,000,000.00 only.



SALCON BERHAD (Company No: 593796-T)

The status of the utilisation of the proceeds as at 15 November 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)		-	-	-

Salcon Development Sdn Bhd (“SDSB”), a wholly-owned subsidiary of Salcon had on 10 April 2017 entered into a conditional share sale and purchase agreement (“SPA”) with Fortune Quest Group Ltd (“Fortune Quest”), a wholly-owned subsidiary of Eco World International Berhad, for the proposed disposal of 80% equity interest in Eco World-Salcon Y1 Pty Ltd (formerly known as Salcon Development (Australia) Pty Ltd) for a disposal consideration of AUD120,000.

The proposed disposal has been completed on 11 September 2017. Accordingly, Eco World-Salcon Y1 Pty Ltd has become a 20% associate company of Salcon.

The status of the utilisation of the proceeds as at 15 November 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	%	
Defraying expenses incidental to the Proposed Disposal	406	(406)	Within 3 months	Nil	Nil	Completed
Total	406	(406)		-	-	-



3. Group Borrowings and Debt Securities

Total Group borrowings as at 30 September 2017 are as follows:

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

	As at 3rd quarter ended 2016		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loan</i>	66,111	3,762	69,873
<i>Finance lease creditors</i>	2,269	784	3,053
Unsecured			
<i>Term loan</i>	904	-	904
<i>Revolving credits</i>	-	-	-
<i>Bank overdrafts</i>	-	3,293	3,293
	69,284	7,839	77,123

For the year to-date financial quarter under review, the Group has recorded borrowings of RM55.50 million as compared to RM77.12 million for corresponding period in the immediate preceding year. The reduction in the borrowings was substantially attributed by the repayment of secured term loan of a subsidiary amounting to RM21.39 million.

Finance lease liabilities bears interest at rates ranging from 2.29% to 6.18% per annum. The secured term loan bears interest at rates ranging from 6.28% to 8.97% per annum and are due for full payment in Year 2019.

The proportion of debts that is based on the fixed interest rate and floating interest rate are 8.92% and 91.08% respectively.

4. Changes in Material Litigation

There was no material update as at 15 November 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

	Current Quarter	Immediate Preceding Quarter	Changes %
	30/09/2017	30/06/2017	
Revenue	18,654	21,493	-13%
Operating Profit/(Loss)	(13,271)	(8,264)	-61%
Profit/(Loss) Before Interest and Tax	(7,713)	(3,260)	-137%
Profit/(Loss) Before Tax	(8,670)	(4,331)	-100%
Profit/(Loss) For The Period	1,099	(11,302)	110%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,040	(9,046)	134%

The revenue recorded in the Constructions Division was lower by 28% but the share of profit from the joint ventures has increased by 42% as compared to the immediate preceding quarter. In the current quarter, the Division has recorded loss before tax of RM310,000 as compared to loss before tax of RM1.62 million in the same period of the immediate preceding quarter.

In the Property Development Division, it recorded loss before tax of RM1.90 million in the current financial quarter as compared to loss before tax of RM2.07 million.

In the Concessions Division, revenue decreased marginally by 1% and profit before tax increased marginally by RM2,000.

For the Trading and Services Division, revenue increased by 48% due to the higher revenue of solar power business. However, due to impairment of goodwill, the division recorded a loss before tax of RM6.24 million as compared to loss before tax of RM2.36 million in the same period of the immediate preceding quarter.

In the current quarter, the Discontinued Operations recorded profit before tax of RM8.53 million as compared to loss before tax of RM5.24 million in the same period of the immediate preceding quarter due to disposal of 80% equity in Eco World-Salcon Y1 Pty Ltd in the current quarter.

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

	Individual Period (3rd Quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	30/09/2017	30/09/2016		30/09/2017	30/09/2016	
Revenue	18,654	22,949	-19%	59,562	60,507	0%
Operating Profit/(Loss)	(13,271)	25	-53,184%	(26,862)	(18,690)	-44%



SALCON BERHAD (Company No: 593796-T)

Profit/(Loss) Before Interest and Tax	(7,713)	1,384	-657%	(14,125)	(10,337)	-37%
Profit/(Loss) Before Tax	(8,670)	277	-3,230%	(17,239)	(13,884)	-24%
Profit/(Loss) For The Period	1,099	(1,520)	172%	(14,580)	21,497	-168%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,040	(755)	503%	(9,805)	10,476	-194%

For the current financial quarter under review, the Group achieved lower revenue amounting to RM18.65 million as compared to RM22.95 million for the same period in the preceding year or a decreased of 19%. Loss before taxation of RM8.67 million was recorded in the current financial quarter as compared to profit before tax of RM277,000 for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was lower by 33% as compared to the same period in the preceding year. However, contributions from the share of profit from the joint ventures has increased by 617% as compared to the same period in the preceding year. The Division to incurred loss before tax of RM310,000 as compared to loss before tax of RM1.27 million for the same period in the preceding year.

The Property Development Division has recorded a loss before tax of RM1.90 million as compared to loss before tax of RM2.10 million for the same period in the preceding year due to lower finance costs in the current financial quarter.

In the Concessions Division, revenue was lower by 8% in current financial quarter as compared to the same period in the preceding year. Profit before tax was RM1.54 million as compared to profit before tax of RM1.51 million for the same period in the preceding year.

In the Trading and Services Division, revenue was higher by 39% as compared to the same period in the preceding year due to the higher revenue of solar power business. The Division recorded loss before tax of RM6.24 million as compared to loss before tax of RM446,000 for the same period in the preceding year due to impairment of goodwill in the current financial quarter and operating expenses incurred by the new business ventures.

In the Discontinued Operations, the Division recorded profit before tax of RM8.53 million as compared to loss before tax of RM78,000 million for the same period in the preceding year due to gain from the disposal of 80% equity in Eco World-Salcon Y1 Pty Ltd in the current financial quarter.

For the cumulative quarter to date, the Group recorded revenue of RM59.56 million as compared to RM60.51 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM17.24 million was recorded in the cumulative quarter to date as compared to loss before tax of RM13.88 million in the corresponding cumulative quarter in the preceding year.

In the Constructions Division, revenue was 11% lower when compared to the corresponding cumulative quarter in the preceding year. The Division loss before tax was RM235,000 as compared to loss before tax of RM1.14 million for the same period in the preceding year due to higher contributions from the share of profit from the joint ventures in the current cumulative quarter.

In the Property Development Division, it recorded loss before tax of RM6.18 million in the current financial quarter as compared to loss before tax of RM6.46 million due to lower finance cost in the current cumulative quarter.

The Concessions Division recorded revenue and profit before tax of RM1.18 million and RM4.59 million as compared to RM1.20 million and RM4.23 million respectively in the corresponding cumulative



quarter in the preceding year. The improvement of 8% in profit before tax was due to higher share of profits from associated companies.

The Trading and Services Division recorded revenue of RM15.37 million as compared to RM10.94 million in the corresponding cumulative quarter in the preceding year. The revenue increased by 40% mainly due to solar power business in the current cumulative quarter. The Division recorded loss before tax of RM10.22 million as compared to loss before tax of RM4.98 million for the same period in the preceding year due to impairment of goodwill in the current cumulative quarter and operating expenses incurred by the new business ventures.

In the Discontinued Operations, the Division recorded profit before tax of RM27,000 as compared to profit before tax of RM38.00 million in the corresponding cumulative quarter in the preceding year due to gain from the disposal of the subsidiaries in the cumulative quarter of the preceding year.

7. Prospects

The Group expects the positive results from this quarter to continue to the final quarter of the year with the profit recognition on the successful completion and hand-over of vacant possession of the Selayang res280 property project

The Group is also actively tendering for water projects in Malaysia and the region and look to further replenishing its order books in the water division following the successful procurement of 3 non-revenue water (NRW) projects during the last 3 months.

8. Variance of Profit Forecast / Profit Guarantee

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

9. Financial instruments - derivatives

As at 30 September 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:



SALCON BERHAD (Company No: 593796-T)

Basic earnings per share

	Current Quarter Ended 30/09/2017	Comparative Quarter Ended 30/09/2016	Cumulative Quarter To-date	
			30/09/2017	30/09/2016
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(5,342)	(708)	(12,452)	(13,292)
- discontinued operations	8,382	(47)	2,647	23,768
	<u>3,040</u>	<u>(755)</u>	<u>(9,805)</u>	<u>10,476</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	642,684	672,694	642,684	672,694
Effect of shares repurchased during the period ('000)	(3,285)	(24,913)	(1,347)	(12,932)
Effect of shares distributed as dividend during the period ('000)	35,663	-	35,663	-
Weighted average number of ordinary shares ('000)	<u>675,062</u>	<u>647,781</u>	<u>677,000</u>	<u>659,762</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	(0.79)	(0.11)	(1.84)	(2.01)
- discontinued operations	1.24	(0.01)	0.39	3.60
Total	<u>0.45</u>	<u>(0.12)</u>	<u>(1.45)</u>	<u>1.59</u>

11. Realised and Unrealised Profits

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	105,970	126,699
- Unrealised	(7,343)	7,166
	<u>98,627</u>	<u>133,865</u>
Total share of retained earnings from associated company:		
- Realised	16,697	13,566
Total share of retained earnings from joint ventures:		
- Realised	15,007	7,668
	<u>130,331</u>	<u>155,099</u>
Less: Consolidation adjustments	(93,545)	(86,609)
Total Group retained earnings as per consolidated accounts	<u>36,786</u>	<u>68,490</u>



12. Notes to the Condensed Consolidated Statement of Comprehensive Income

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

	Current Quarter Ended 30/09/2017 RM'000	Cumulative Quarter Ended 30/09/2017 RM'000
Foreign Exchange Gain	491	1,459
Foreign Exchange Loss	(729)	(3,587)
Depreciation and amortization	(285)	(939)
	<u>(523)</u>	<u>(3,067)</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 22 November 2017.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
22 November 2017