



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017 - UNAUDITED**

	31/12/2017 RM'000	31/12/2016 RM'000
Assets		
Property, plant and equipment	62,013	63,490
Intangible assets	21,831	21,831
Investment properties	8,201	8,485
Investment in associate	25,610	27,224
Investment in joint ventures	48,680	36,231
Other investments	675	-
Deferred tax assets	3,698	3,698
Total non-current assets	170,708	160,959
Trade and other receivables, including derivatives	182,394	154,143
Inventories	142,124	194,719
Current tax assets	3,152	1,615
Cash and cash equivalents	134,394	215,941
Total current assets	462,064	566,418
Total assets	632,772	727,377
Equity		
Share capital	338,847	338,847
Reserves	96,453	76,645
Retained earnings	22,798	68,490
Total equity attributable to owners of the Company	458,098	483,982
Non-controlling interests	27,130	39,126
Total equity	485,228	523,108
Liabilities		
Loans and borrowings	5,674	48,062
Deferred tax liabilities	7,001	9,460
Total non-current liabilities	12,675	57,522
Trade and other payables, including derivatives	73,864	119,617
Loans and borrowings	60,954	24,988
Current tax liabilities	51	2,142
Total current liabilities	134,869	146,747
Total liabilities	147,544	204,269
Total equity and liabilities	632,772	727,377
Net assets per share (RM)	0.68	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 FOURTH QUARTER ENDED 31 DECEMBER 2017 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Todate	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Continuing operations				
Revenue	149,682	38,467	209,244	98,974
Cost of sales	(145,760)	(24,059)	(189,137)	(73,384)
Gross Profit	3,922	14,408	20,107	25,590
Other income	3,592	9,700	6,166	12,209
Other expenses	(5,577)	(1,894)	(9,454)	(1,894)
Distribution expenses	(1,045)	(880)	(3,611)	(3,280)
Administrative expenses	(24,089)	(22,990)	(63,267)	(52,971)
Profit/(Loss) from operating activities	(23,197)	(1,656)	(50,059)	(20,346)
Finance costs	(920)	(1,273)	(4,034)	(4,820)
Finance income	1,327	516	3,594	1,614
Share of profit of equity-accounted associate/ joint ventures, net of tax	5,181	4,610	15,651	11,865
Profit/(Loss) before tax	(17,609)	2,197	(34,848)	(11,687)
Tax expense	2,396	(2,306)	2,408	(4,896)
Profit/(Loss) from continuing operations	(15,213)	(109)	(32,440)	(16,583)
Discontinued operations				
Profit/(Loss) from discontinued operations, net of tax	(419)	(30)	2,228	37,941
Profit/(Loss) for the period	(15,632)	(139)	(30,212)	21,358
Profit/(Loss) attributable to:				
Owners of the Company	(13,989)	1,368	(23,794)	11,844
Non-controlling interests	(1,643)	(1,507)	(6,418)	9,514
Profit/(Loss) for the period	(15,632)	(139)	(30,212)	21,358
Basic (loss)/earnings per ordinary share (sen)				
- from continuing operations	(2.04)	0.21	(3.88)	(1.81)
- from discontinued operations	(0.04)	-	0.36	3.62
Total	(2.08)	0.21	(3.52)	1.81

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 FOURTH QUARTER ENDED 31 DECEMBER 2017 – UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Profit/(Loss) for the period	(15,632)	(139)	(30,212)	21,358
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations	(2,098)	5,122	(3,986)	15,810
Total other comprehensive income/(expense)	(2,098)	5,122	(3,986)	15,810
Total comprehensive income/(expense) for the period	(17,730)	4,983	(34,198)	37,168
Total comprehensive income/(expense) attributable to:				
Owners of the Company	(15,961)	5,778	(23,541)	13,572
Non-controlling interests	(1,769)	(795)	(10,657)	23,596
Total comprehensive income/(expense) for the period	(17,730)	4,983	(34,198)	37,168

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 FOURTH QUARTER ENDED 31 DECEMBER 2017 – UNAUDITED**

	← Attributable to Owners of the Company →						→	Non- controlling interests	Total equity
	← Non – distributable →			Distributable					
	Share capital RM'000	Share premium RM'000	Translation reserve RM'000	Capital reserve RM'000	Treasury shares RM'000	Retained earnings 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	-	-	1,728	-	-	11,844	13,572	23,596	37,168
Own shares acquired	-	-	-	-	(17,999)	-	(17,999)	-	(17,999)
Acquisition of subsidiaries	-	-	-	-	-	-	-	(16)	(16)
Disposal of interest in subsidiaries	-	-	-	(102,377)	-	27,332	(75,045)	3,672	(71,373)
Dividends to shareholders	-	-	-	-	-	(13,294)	(13,294)	-	(13,294)
Dividends to minority interest	-	-	-	-	-	-	-	(15,339)	(15,339)
At 31 December 2016	338,847	85,618	12,525	-	(21,498)	68,490	483,982	39,126	523,108
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	-	-	253	-	-	(23,794)	(23,541)	(10,657)	(34,198)
Own shares acquired	-	-	-	-	(2,343)	-	(2,343)	-	(2,343)
Acquisition of subsidiaries	-	-	-	-	-	-	-	1,105	1,105
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	5,118	5,118
Disposal of interest in subsidiaries	-	-	-	-	-	-	-	173	173
Capital reduction in a subsidiary	-	-	-	-	-	-	-	(6,366)	(6,366)
Dividends to shareholders	-	-	-	-	21,898	(21,898)	-	-	-
Dividends to minority interest	-	-	-	-	-	-	-	(1,369)	(1,369)
At 31 December 2017	338,847	85,618	12,778	-	(1,943)	22,798	458,098	27,130	485,228

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 FOURTH QUARTER ENDED 31 DECEMBER 2017 - UNAUDITED**

	12 months Ended 31/12/2017 RM'000	12 months Ended 31/12/2016 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax from:		
- continuing operations	(34,848)	(11,687)
- discontinued operations	(620)	37,975
	<u>(35,468)</u>	<u>26,288</u>
Adjustments for :		
- Non-cash items	(1,901)	(51,170)
- Non-operating items	440	3,206
	<u>(36,929)</u>	<u>(21,676)</u>
Operating loss before changes in working capital	(36,929)	(21,676)
Changes in working capital	(11,368)	(29,722)
	<u>(48,297)</u>	<u>(51,398)</u>
Cash generated from/(used in) operations	(48,297)	(51,398)
Income taxes paid	(3,678)	(5,134)
Net cash from/(used in) operating activities	<u>(51,975)</u>	<u>(56,532)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	489	76
- Proceeds from disposal of investment properties	274	-
- Proceeds from disposal of other investments	655	-
- Acquisition of property, plant and equipment	(2,909)	(2,695)
- Acquisition of subsidiary, net of cash acquired	(6,030)	-
- Increase in investments in joint venture	-	(4,667)
- Subscription of shares in an associate	-	(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	(2,267)	36,074
- Dividends received from associated company	4,816	4,320
- Interest received	3,594	1,614
Net cash from/(used in) investing activities	<u>(7,871)</u>	<u>34,477</u>
<u>Cash flows from financing activities</u>		
- Repurchase of treasury shares	(2,343)	(17,999)
- Drawdown from borrowings	11,389	4,000
- Interest paid	(4,034)	(4,820)
- Repayment of borrowings	(23,438)	(9,873)
- Dividends paid to owners of the company	-	(13,294)
- Dividends paid to non-controlling interests	(1,369)	(15,339)
- Repayment of finance lease liabilities	(1,642)	(4,144)
Net cash from/(used in) financing activities	<u>(21,437)</u>	<u>(61,469)</u>
Net increase/(decrease) in cash and cash equivalents	(81,283)	(83,524)
Cash and cash equivalents at beginning of period	214,782	276,683
Exchange differences on translation of the financial statements of foreign entities	(4,875)	21,623
Cash and cash equivalents at end of period	<u>128,624</u>	<u>214,782</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 FOURTH QUARTER ENDED 31 DECEMBER 2017 – UNAUDITED**

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

	12 months Ended 31/12/2017 RM'000	12 months Ended 31/12/2016 RM'000
Cash and bank balances	49,056	57,139
Deposits placed with licensed banks	85,338	158,802
	134,394	215,941
Bank overdrafts	(4,803)	(192)
Pledged deposits	(967)	(967)
	128,624	214,782

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 FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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 31 December 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.



7. Dividends Paid

During the cumulative quarter ended 31 December 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 31 December 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	(4,504)	6,261	(16,672)	(5,493)	(20,408)	(663)	(21,071)
<i>Included in the measure of segment profit are:</i>							
Revenue from external customers	86,406	1,570	20,568	100,700	209,244	1	209,245
Share of profit of associate	-	4,827	(446)	(1,179)	3,202	-	3,202
Share of profit of joint venture	13,632	-	(1,183)	-	12,449	-	12,449
<i>Not included in the measure of segment profit but provided to Chief Operating Officer:</i>							
Depreciation and amortization	(899)	-	(4,258)	(1)	(5,158)	(690)	(5,848)
Finance costs	(148)	-	(379)	(3,507)	(4,034)	(656)	(4,690)
Finance income	2,753	9	478	354	3,594	9	3,603
Income tax expense	600	(2)	(511)	2,321	2,408	2,848	5,256
Segment assets	287,834	25,894	114,087	204,957	632,772	-	632,772
<i>Included in the measure of segment assets are:</i>							
Investment in associate	-	27,488	(699)	(1,179)	25,610	-	25,610
Investment in joint venture	32,725	-	15,955	-	-	-	48,680
Additions to non-current assets other than financial instruments and deferred tax assets	509	-	2,683	-	-	-	3,192



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

	RM'000
Profit	
Total profit for reportable segments	(20,408)
Depreciation and amortisation	(5,158)
Finance costs	(4,034)
Finance income	3,594
Unrealised/ realised foreign exchange gain/(loss)	(3,642)
Unallocated expenses:	
Corporate expenses	(5,200)
Consolidated profit/(loss) before tax from continuing operations	<u>(34,848)</u>
Profit from discontinued operations, net of tax	2,228
Consolidated profit before tax	<u>(32,620)</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 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 20 February 2018 (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.



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- 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.

On 6 March 2017, JGSB allotted 49,999 new ordinary shares in its share capital to SXSB for a total issue price of RM49,999.00

SXSB has on 14 December 2017 entered into a Share Sale Agreement with Mr See Che Chi to dispose of 50,000 Ordinary Shares in JGSB, representing 100% of the total share capital of JGSB to SCC for a total cash sale consideration of RM10.00 only. Following the Disposal, JGSB shall cease to be an indirect subsidiary of the Company.

- 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 (“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:



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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 31 December 2017 are as follows:-

	RM'000
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	33,519
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	458,098
No. of shares	<u>673,694</u>
NA per share (RM)	<u>0.68</u>



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

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 31/12/2017 RM'000	Cumulative Quarter To-date 31/12/2017 RM'000
Continuing operations		
Malaysian - current period	2,522	2,561
- prior years	(1,496)	(1,560)
- deferred tax	(2,459)	(2,459)
Overseas - prior years	(963)	(950)
	<u>(2,396)</u>	<u>(2,408)</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 tax over provided for 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.



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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 20 February 2018 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	(132,577)	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	(282,571)		-	-	-

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.



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The status of the utilisation of the proceeds as at 20 February 2018 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 RM'000	Actual Utilisation RM'000	Estimated Timeframe for Utilisation	Deviation RM'000	%	Explanation
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 20 February 2018 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 RM'000	Actual Utilisation RM'000	Estimated Timeframe for Utilisation	Deviation RM'000	%	Explanation
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 31 December 2017 are as follows:

	As at 4th quarter ended 2017		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loan</i>	-	42,778	42,778
<i>Finance lease creditors</i>	5,047	1,834	6,881
Unsecured			
<i>Term loan</i>	627	150	777
<i>Revolving credits</i>	-	8,000	8,000
<i>Bankers' Acceptance</i>	-	3,389	3,389
<i>Bank overdrafts</i>	-	4,803	4,803
	5,674	60,954	66,628

	As at 4th quarter ended 2016		
	Long term	Short term	Total borrowings
	RM denomination	RM denomination	RM denomination
Secured			
<i>Term loan</i>	42,778	23,333	66,111
<i>Finance lease creditors</i>	4,515	1,350	5,865
Unsecured			
<i>Term loan</i>	769	113	882
<i>Revolving credits</i>	-	-	-
<i>Bank overdrafts</i>	-	192	192
	48,062	24,988	73,050

For the year to-date financial quarter under review, the Group has recorded borrowings of RM66.63 million as compared to RM73.05 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 RM23.33 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 10.33% and 89.67% respectively.



4. Changes in Material Litigation

There was no material update as at 20 February 2018 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) except for the following:-

(i) Terra Environment Management Sdn Bhd (formerly known as UG Management Services Sdn Bhd) (“the Plaintiff”) VS Salcon Engineering Berhad (“SEB”), a wholly-owned subsidiary of the Company (“the Defendant”)

1. Details of the claims

On 2 November 2015, the Plaintiff filed a writ and statement of claim inter alia stating and claiming as follows:-

- (a) it has completed its works under the Agreements and claims that it has been underpaid for the work done;
- (b) the Plaintiff claims:-
 - (i) a sum of RM2,314,711.82 only;
 - (ii) interest on the said sum of RM2,314,711.82 only at the statutory rate from 18 September 2013 until the date of full payment;
 - (iii) damages, to be assessed by the High Court in Sabah and Sarawak at Kota Kinabalu;
 - (iv) costs; and
 - (v) such further or other relief as the High Court in Sabah and Sarawak at Kota Kinabalu deems fit.

The Defendant had on 14 December 2015 filed their statement of defence and counterclaim inter alia stating and claiming as follows:-

- (a) the Plaintiff was successfully awarded by the Defendant Agreement 1 after they quoted their base unit price as well as certain items on a lump sum basis;
- (b) there had never been any mutual agreement between the parties expressly in writing to vary the rates to be charged or to vary the job scope which was part of the Plaintiff's expertise when they have provided their quotation to the Defendant;
- (c) the Defendant even made ex-gratia payment out of goodwill and additional lump sum payment under the Agreements respectively for the works without prejudice to the original quotation wherein the Plaintiff accepted as full and final settlement and out of goodwill by the Defendant;
- (d) the Defendant denies of the amounts claimed by the Plaintiff in its statement of claim as there was never an agreement expressly in writing to vary the scope of works or the rates, the Defendant has already made ex-gratia payment out of goodwill and additional lump sum payment which the Plaintiff have accepted, the Plaintiff had made duplicitous claims for certain areas of the work where the Defendant has already made payment and so forth;
- (e) the Defendant has in fact overpaid the Plaintiff;
- (f) the Defendant in their counterclaim claims:-
 - (i) the amount of RM509,882.91 only;
 - (ii) interest on the amount of RM509,882.91 only at the statutory rate from 17 October 2014 until date of full payment;
 - (iii) costs;



(iv) such other relief as the High Court in Sabah and Sarawak at Kota Kinabalu deems fit.

The Plaintiff had on 11 January 2016 filed a reply and defence to counterclaim. The Plaintiff denies the counterclaims made by the Defendant.

The case was tried on the 5th to 9th and 22nd June 2017.

The Defendant had on 19 December 2017 received a judgement dated 8 December 2017 from the High Court in Sabah and Sarawak at Kota Kinabalu (“Judgment”) for the following decisions which was decided against SEB:-

- (i) that the Defendant pay to the Plaintiff the sum of RM150,673.59 only under Agreement 1 and the sum of RM58,140.74 only under Agreement 2 further to the Defendant’s own Final Accounts;
- (ii) that the Defendant pay to the Plaintiff the sum of RM2,191,827.62 only for the items in dispute;
- (iii) that the Defendant pay to the Plaintiff interest on the various sums to be paid by the Defendant to the Plaintiff at the statutory rate of 5% per annum from 1 January 2014 to the date of full payment;
- (iv) that the Defendant pay to the Plaintiff costs of RM75,000.00 for the Plaintiff’s claim and costs of RM25,000.00 for the Defendant’s counterclaim.

2. Estimated potential liability, financial and operational impact to the Group

A total of RM3.0 million will be provided for in the audited financial statements for the financial year ending 31 December 2017 in respect of above litigation.

Based on the advice of the solicitors of SEB, SEB will proceed to appeal to the Court of Appeal and file an application for stay of execution pending appeal in respect of the Judgement.

However, in the event SEB is successful in its appeal against the Judgement, there would be a contributory positive financial impact to the earnings per share and net assets per share of the Company for the financial year ending 31 December 2018.

There is no operational impact to the Company and the Group.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	31/12/2017	30/09/2017	
Revenue	149,682	18,654	702%
Operating Profit/(Loss)	(23,197)	(13,271)	-75%
Profit/(Loss) Before Interest and Tax	(16,689)	(7,713)	-116%
Profit/(Loss) Before Tax	(17,609)	(8,670)	-103%
Profit/(Loss) For The Period	(15,632)	1,099	-1,522%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(13,989)	3,040	560%



The revenue recorded in the Constructions Division was higher by 258% and the share of profit from the joint ventures has increased by 19% as compared to the immediate preceding quarter. In the current quarter, the Division has recorded loss before tax of RM4.25 million as compared to loss before tax of RM310,000 in the same period of the immediate preceding quarter due to higher operating expenses.

In the Property Development Division, it recorded revenue of RM100.70 million due to handover of properties to the buyers of Res 280 at Selayang. However, the Division incurred loss before tax of RM2.46 million in the current financial quarter as compared to loss before tax of RM1.90 million in the immediate preceding quarter due to unrealized loss on foreign exchange.

In the Concessions Division, revenue decreased marginally by 1% and profit before tax increased 9% due to higher contributions from the associated company.

For the Trading and Services Division, revenue decreased by 15% due to the lower revenue of solar power business. Due to additional impairment of goodwill, the division recorded a loss before tax of RM10.61 million as compared to loss before tax of RM6.24 million in the same period of the immediate preceding quarter.

In the current quarter, the Discontinued Operations recorded loss before tax of RM647,000 as compared to profit before tax of RM8.53 million in the same period of the immediate preceding quarter due to disposal of a subsidiary in the current quarter.

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

	Individual Period (4th Quarter)		Changes %	Cumulative Period		Changes %
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Quarter	
	31/12/2017	31/12/2016		31/12/2017	31/12/2016	
Revenue	149,682	38,467	289%	209,244	98,974	111%
Operating Profit/(Loss)	(23,197)	(1,656)	-1,301%	(50,059)	(20,346)	-146%
Profit/(Loss) Before Interest and Tax	(16,689)	3,470	-581%	(30,814)	(6,867)	-349%
Profit/(Loss) Before Tax	(17,609)	2,197	-901%	(34,848)	(11,687)	-198%
Profit/(Loss) For The Period	(15,632)	(139)	-11,145%	(30,212)	21,358	-241%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(13,989)	1,368	-1,123%	(23,794)	11,844	-301%

For the current financial quarter under review, the Group achieved higher revenue amounting to RM149.68 million as compared to RM38.47 million for the same period in the preceding year or an increase of 289%. Loss before taxation of RM17.61 million was recorded in the current financial quarter as compared to profit before tax of RM2.20 million for the same period in the preceding year.

In the Constructions Division, revenue recorded in the current financial quarter was higher by 25% as compared to the same period in the preceding year. However, higher cost of sales has resulted the Division to incurred loss before tax of RM4.25 million as compared to profit before tax of RM7.54 million for the same period in the preceding year.



The Property Development Division has recorded a revenue of RM100.70 million due to handover of properties to the buyers of Res 280 at Selayang. However, the Division incurred loss before tax of RM2.46 million in the current financial quarter as compared to loss before tax of RM2.99 million for the same period in the preceding year due to unrealized loss on foreign exchange.

In the Concessions Division, revenue was higher by 20% in the current financial quarter as compared to the same period in the preceding year. Profit before tax was RM1.68 million as compared to profit before tax of RM1.59 million for the same period in the preceding year.

In the Trading and Services Division, revenue was higher by 53% as compared to the same period in the preceding year due to contributions from new investments. However, the Division recorded loss before tax of RM10.61 million as compared to loss before tax of RM2.64 million for the same period in the preceding year due to impairment of goodwill and operating expenses incurred by the new business ventures in the current financial quarter.

In the Discontinued Operations, the Division recorded loss before tax of RM647,000 as compared to loss before tax of RM30,000 million for the same period in the preceding year due to the disposal of a subsidiary in the current financial quarter.

For the cumulative quarter to date, the Group recorded revenue of RM209.24 million as compared to RM98.97 million in the corresponding cumulative quarter in the preceding year. Loss before tax of RM34.85 million was recorded in the cumulative quarter to date as compared to loss before tax of RM11.69 million in the corresponding cumulative quarter in the preceding year.

In the Constructions Division, revenue was 4% higher when compared to the corresponding cumulative quarter in the preceding year. The Division loss before tax was RM4.48 million as compared to profit before tax of RM6.41 million for the same period in the preceding year due to higher cost of sales in the current cumulative quarter.

In the Property Development Division, it recorded revenue of RM100.70 million due to handover of properties to the buyers of Res 280 at Selayang. However, the Division incurred loss before tax of RM8.65 million in the current cumulative quarter as compared to loss before tax of RM9.45 million for the same period in the preceding year due to unrealized loss on foreign exchange and interest expense.

The Concessions Division recorded revenue and profit before tax of RM1.57 million and RM6.27 million as compared to RM1.52 million and RM5.83 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 RM20.57 million as compared to RM14.35 million in the corresponding cumulative quarter in the preceding year. The revenue increased by 43% mainly due to solar power business in the current cumulative quarter. The Division recorded loss before tax of RM20.83 million as compared to loss before tax of RM7.62 million for the same period in the preceding year due to impairment of goodwill and operating expenses incurred by the new business ventures in the current cumulative quarter.

In the Discontinued Operations, the Division recorded loss before tax of RM620,000 as compared to profit before tax of RM37.98 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

Despite strong headwinds and the Group's lacklustre performance over the past year, the Group maintains a cautiously positive outlook for financial year 2018.

In the coming year, the engineering & construction and concession divisions are expected to be the mainstay of the Group's profitability. We also expect positive contribution from the technology services division with the increase in the utilization of the infrastructure established.

The challenging economic landscape had prompted us to further review and enhance the Group's efforts to growing long-term shareholder value.

8. Variance of Profit Forecast / Profit Guarantee

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

9. Proposed Dividend

The Board of Directors proposed a first and final single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2017 for the approval of the shareholders at the Fifteenth Annual General Meeting.

10. Financial instruments - derivatives

As at 31 December 2017, the Group has no outstanding foreign currency forward contracts under derivative financial instruments.

11. Earnings Per Share

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



Basic earnings per share

	Current Quarter Ended 31/12/2017	Comparative Quarter Ended 31/12/2016	Cumulative Quarter To-date	
			31/12/2017	31/12/2016
Profit/(Loss) attributable to equity holders of the parent (RM'000)				
- continuing operations	(13,743)	1,385	(26,195)	(11,907)
- discontinued operations	(246)	(17)	2,401	23,751
	<u>(13,989)</u>	<u>1,368</u>	<u>(23,794)</u>	<u>11,844</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	642,684	672,694	642,684	672,707
Effect of shares repurchased during the period ('000)	(4,653)	(30,009)	(2,180)	(16,972)
Effect of shares distributed as dividend during the period ('000)	35,663	-	35,663	-
Weighted average number of ordinary shares ('000)	<u>673,694</u>	<u>642,685</u>	<u>676,167</u>	<u>655,735</u>
Basic (loss)/earnings per share (sen)				
- continuing operations	(2.04)	0.21	(3.88)	(1.81)
- discontinued operations	(0.04)	(0.00)	0.36	3.62
Total	<u>(2.08)</u>	<u>0.21</u>	<u>(3.52)</u>	<u>1.81</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 31/12/2017 RM'000	Cumulative Quarter Ended 31/12/2017 RM'000
Foreign Exchange Gain	144	1,603
Foreign Exchange Loss	(5,303)	(8,890)
Depreciation and amortization	(423)	(1,362)
	<u>(5,582)</u>	<u>(8,649)</u>



SALCON BERHAD (Company No: 593796-T)

Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 February 2018.

ON BEHALF OF THE BOARD

TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
27 February 2018