



**SALCON BERHAD** (Company No: 593796-T)  
(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT ENDED 30 SEPTEMBER 2005  
CONDENSED CONSOLIDATED BALANCE SHEETS**

	30/09/2005 RM'000	31/07/2004 RM'000
Property, plant and equipment	32,949	26,194
Investment in associates	61,559	62,567
Other investments	11,093	11,093
Goodwill	3,214	3,309
	<u>108,815</u>	<u>103,163</u>
<b>Current assets</b>		
Inventories	1,981	1,337
Trade and other receivables	124,656	151,788
Tax recoverable	6,507	3,605
Cash and cash equivalents	28,486	37,625
	<u>161,630</u>	<u>194,355</u>
<b>Current liabilities</b>		
Trade and other payables	67,515	94,603
Borrowings	5,867	16,587
Taxation	452	59
	<u>73,834</u>	<u>111,249</u>
<b>Net Current assets</b>	<u>87,796</u>	<u>83,106</u>
	<u>196,611</u>	<u>186,269</u>
<b>Financed by :-</b>		
<b>Capital and reserves</b>		
Share capital	106,023	96,384
Reserves	30,233	34,485
	<u>136,256</u>	<u>130,869</u>
<b>Minority shareholders' interests</b>	12,740	7,482
<b>Long term and deferred liabilities</b>		
Borrowings	47,406	47,709
Deferred taxation	209	209
	<u>47,615</u>	<u>47,918</u>
	<u>196,611</u>	<u>186,269</u>
Net tangible assets per share (RM)	0.52	0.54

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the year ended 31 July 2004.



**SALCON BERHAD** (Company No: 593796-T)  
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**UNAUDITED QUARTERLY REPORT ENDED 30 SEPTEMBER 2005**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Revenue	23,530	N/A	136,184	N/A
Operating expenses	(23,818)	N/A	(135,171)	N/A
Other operating expenses	(58)	N/A	(143)	N/A
Other operating income	200	N/A	258	N/A
Operating profit/(loss)	(146)	N/A	1,128	N/A
Interest expense	(843)	N/A	(4,095)	N/A
Interest income	51	N/A	467	N/A
Share of profit of jointly controlled entity	0	N/A	94	N/A
Share of profit of associates	1,857	N/A	7,772	N/A
Profit before tax	919	N/A	5,366	N/A
Tax expense	(664)	N/A	(3,182)	N/A
Profit after tax	255	N/A	2,184	N/A
Less: Minority interests	(225)	N/A	(1,584)	N/A
Net profit for the period	30	N/A	600	N/A
Basic earnings per ordinary share (sen)	0.016	N/A	0.311	N/A
Diluted earnings per ordinary share (sen)	-	N/A	-	N/A

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note A1. The current quarter announcement is for the 3 month period, from 1 July 2005 to 30 September 2005. The current year to-date figures are for the 14 month period ended 30 September 2005.

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 July 2004.



**SALCON BERHAD** (Company No: 593796-T)  
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**UNAUDITED QUARTERLY REPORT ENDED 30 SEPTEMBER 2005**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	← Non – distributable →			Distributable Retained Profits RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Equalisation RM'000		
<b>At 1 August 2004</b>	96,384	18,891	97	15,497	130,869
Net profit for the period	-	-	-	600	600
Issue of shares					
- Private Placement	9,639	193			9,832
Listing expenses		(79)			(79)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	46	-	46
Dividends					
- 2004 Final	-	-	-	(5,012)	(5,012)
<b>At 30 September 2005</b>	<b>106,023</b>	<b>19,005</b>	<b>143</b>	<b>11,085</b>	<b>136,256</b>

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note A1.

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The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 July 2004.



**SALCON BERHAD** (Company No: 593796-T)  
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**UNAUDITED QUARTERLY REPORT ENDED 30 SEPTEMBER 2005**  
**CONDENSED CONSOLIDATED CASHFLOW STATEMENT**

	14 months Ended 30/09/2005 RM'000	14 months Ended 30/09/2004 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	5,366	N/A
Adjustments for :		
- Non-cash items	(3,762)	N/A
- Non-operating items	3,628	N/A
Operating profit before working capital changes	5,232	N/A
Changes in working capital	(383)	N/A
Cash generated from operations	4,849	N/A
Income taxes paid	(4,866)	N/A
Interest paid	(4,095)	N/A
<b>Net cash used in operating activities</b>	<b>(4,112)</b>	<b>N/A</b>
<b><u>Cash flows from investing activities</u></b>		
- Investments in subsidiary / associate	(139)	N/A
- Proceed from sale of fixed assets	474	N/A
- Purchase of fixed assets	(5,325)	N/A
- Interest received	467	N/A
<b>Net cash used in investing activities</b>	<b>(4,523)</b>	<b>N/A</b>
<b><u>Cash flows from financing activities</u></b>		
- Redemption of preference shares from associates co.	6,600	N/A
- Proceeds from issuance of share capital	9,832	N/A
- Listing expenses	(79)	N/A
- Proceeds from bank borrowings	9,160	N/A
- Repayments of bank borrowings	(19,395)	N/A
- Dividends paid to shareholders of Salcon Berhad	(5,012)	N/A
- Dividends paid to minority shareholders	(641)	N/A
- Payment of hire purchase liabilities	(719)	N/A
<b>Net cash used in financing activities</b>	<b>(254)</b>	<b>N/A</b>
Net decrease in cash and cash equivalents	(8,889)	N/A
Effects of exchange rate changes	41	N/A
Cash and cash equivalents at beginning of period	37,197	N/A
<b>Cash and cash equivalents at end of period</b>	<b>28,349</b>	<b>N/A</b>



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

	<b>14 months Ended 30/09/2005 RM'000</b>	<b>14 months Ended 30/09/2004 RM'000</b>
Cash and bank balances	<b>14,162</b>	N/A
Deposits placed with licensed banks	<b>14,324</b>	N/A
Bank overdrafts	<b>(137)</b>	N/A
	<b>28,349</b>	N/A
Fixed deposits pledged to banks	<b>-</b>	N/A
	<b>28,349</b>	N/A

**Note:**

The comparative figures are not applicable due to the change of financial year as detailed in Note A1.

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The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 July 2004.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTERLY ENDED 30 SEPTEMBER 2005**

**A. DISCLOSURE REQUIREMENTS AS PER FRS 134 – Interim Financial Reporting (formerly known as MASB 26)**

**1. Basis of Accounting and Accounting Policies**

The interim financial statements have been prepared in accordance with FRS 134 – Interim Financial Reporting (formerly known as MASB 26) and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad (BMSB).

The interim financial report should be read in conjunction with the annual financial statements of the Group for the financial year ended 31 July 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 July 2004.

As announced on 28 June 2005, the Company has changed its financial year end from the then existing 31 July to 31 December. The comparative figures are not applicable for the current financial period due to the change of financial year end.

Due to the above-mentioned change of the financial year end, the current quarter announcement is for the 3 month period, that is, from 1 July 2005 to 30 September 2005.

**2. Preceding Annual Financial Statement**

The audit report of the Group's annual financial statements for the year ended 31 July 2004 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. Exceptional and Extraordinary Items**

There were no exceptional and extraordinary items of an unusual nature affecting the assets, liabilities, equity, net income or cashflows of the Group for the current quarter.

**5. Material Changes in Estimates**

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

**6. Debt and Equity Securities**

There were no issuance and repayment of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter except for the following:



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- (i) On 29 September 2005, 19,276,800 new ordinary shares of RM0.50 each were issued at RM0.51 per share, pursuant to the Private Placement.

**7. Dividends Paid**

The dividend paid for the 14 month period ended 30 September 2005 is as follows:-

**14 months  
Ended  
30/09/05  
RM'000**

First and final dividend of 2.60 sen tax exempt in respect of the financial year ended 31 July 2004 was paid on 28 February 2005

5,012

**8. Segmental Reporting**

The segmental revenue and results of the Group for the 14 month period ended 30 September 2005 are as follows:-

	<b>Water &amp; Environmental</b>	<b>Wastewater</b>	<b>Trading Services</b>	<b>Others</b>	<b>Inter-segment Elimination</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External	89,243	38,669	8,272	-	-	136,184
Inter segment	-	-	2	618	(620)	-
	<u>89,243</u>	<u>38,669</u>	<u>8,274</u>	<u>618</u>	<u>(620)</u>	<u>136,184</u>
<b>Results</b>						
Profit from operations	4,174	2,945	460	-45	0	7,534
Unallocated corporate expense						(6,406)
Net financing costs						(3,628)
Share of profits of associates and jointly controlled entity						<u>7,866</u>
Profit before taxation						<u><u>5,366</u></u>

**9. Valuations of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment during the 14 month period ended 30 September 2005. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

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

There were no material events subsequent to the end of the interim period up to 21 November 2005 (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 except for the following:



**SALCON BERHAD** (Company No: 593796-T)  
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- (i) On 3 October 2005, Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad ("SB") had disposed of investment in Tricol Engineering Sdn. Bhd. ("TESB") of 200,000 Ordinary Shares of RM1.00 each representing the entire 40% of the total issued and paid up share capital of TESB for a total cash consideration of RM292,000.00 to Mr. Ang Cheng Gian.

**11. Effect of Changes in the Composition of the Group**

The changes in the composition of the Group for the 14 month period ended 30 September 2005 are as follows:-

- (i) Salcon Berhad had acquired a wholly owned subsidiary, Salcon Yunnan (HK) Limited (formerly known as Salcon Linq (Hong Kong) Limited), a company incorporated in Hong Kong on 30 December 2004 for a cash consideration of US\$1,000 comprising 1,000 ordinary shares of US\$1 per share. This change had no material impact on the Group for the cumulative quarter to-date.
- (ii) On 2 November 2004, Salcon Engineering Berhad redeemed 6,600 preference shares in Emas Utilities Corporation Sdn Bhd, an associated company, at its cost of RM1,000 each. The preference shares were originally issued at a nominal value of RM1 and a premium of RM999 per share. This change had no material impact on the Group for the cumulative quarter to-date.
- (iii) Salcon Berhad (SB) had on 17 February 2005, acquired a wholly owned subsidiary, Salcon Linyi (HK) Limited, a company incorporated in Hong Kong with a paid up capital of HK\$1.00 divided into 1 share of HK\$1.00 each. This change had no material impact on the Group for the cumulative quarter to-date.
- (iv) Salcon Yunnan (HK) Co. Ltd., a wholly owned subsidiary of Salcon Berhad, has on 10 August 2005, injected USD1.73 million into Chenggong Salcon Water Co. Ltd. (CSW), a company classified as a foreign investment enterprise in the People's Republic of China. The USD1.73 million equivalent to RM6.48 million cash investment effectively represents a 60% shareholding in CSW which has a registered capital of USD2.88 million equivalent to RM10.79 million.

**12. Changes in Contingent Liabilities/Contingent Assets**

The changes in contingent liabilities since the last annual balance sheet date as at 31 July 2004 to 21 November 2005 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) are as follows:-

	<b>Increase/ (Decrease) RM'000</b>
Bank guarantees given to third parties relating to performance, tenders and advance payment bonds	<u>(39,183)</u>





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**13. Trade and other receivables**

Trade and other receivables consist of the following:-

	<b>RM'000</b>
Trade receivables	56,668
Less: Allowance for doubtful debts	<u>(3,102)</u>
	53,566
Amount due from contract customers	42,309
Affiliated company	472
Associates	3,983
Other receivables, deposits and prepayment	<u>24,326</u>
	<u><u>124,656</u></u>

**14. Trade and other payables**

Trade and other payables consist of the following:-

	<b>RM'000</b>
Trade payables	43,673
Other payables and accruals	16,637
Affiliated company	4
Associates	6,643
Amount due to contract customers	<u>558</u>
	<u><u>67,515</u></u>

**15. Net tangible assets (NTA) per share**

The NTA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	136,256
Less: Goodwill	(3,214)
Goodwill in investment in associates	<u>(22,997)</u>
NTA	<u>110,045</u>
No. of shares	<u>212,046</u>
NTA per share (RM)	<u><u>0.52</u></u>



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**ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**

**1. Taxation**

The breakdown of tax charge is as follows:-

	Current Quarter Ended 30/09/05 RM'000	14 Months Ended 30/09/05 RM'000
Current tax expense	(669)	(3,237)
Prior year tax expense	5	55
	<u>(664)</u>	<u>(3,182)</u>

The effective tax rate of the current and the 14 month period ended 30 September 2005 is higher than the statutory tax rate due mainly to the absence of Group relief for losses incurred by certain subsidiaries.

**2. Sale of Unquoted Investments and/or Properties**

There were no disposals of unquoted investments or properties during the 14 month period ended 30 September 2005.

**3. Purchase or Disposal of Quoted Investments**

There were no purchases or disposals of quoted investments during the 14 month period ended 30 September 2005. Total investments in quoted securities as at 30 September 2005 are as follows:

	RM'000
At cost	175
At book value	32
At market value	23

**4. Status of Corporate Proposals**

- (i) On 13 April 2005, Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of the Company, has entered into a conditional share sale agreement with M. D. Construction Sdn. Bhd ("MD") for the proposed acquisition of 760,000 ordinary shares of RM1.00 each in Wawasan R & R Builders Sdn. Bhd. (R & R), representing 100% equity interest in R & R for a total cash consideration of RM15,000,000.

The completion of the proposed acquisition is subject to satisfactory completion of the due diligence exercise on R & R and the approval of the Foreign Investment Committee (FIC).



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FIC approval was obtained on 17 June 2005 and the due diligence exercise is still currently being carried out.

The latest timeline for the completion of the proposed acquisition has since lapsed on 12 October 2005. However, both parties to the proposal have on 11 October 2005 mutually agreed to further extend the timeline for another 3 months to 12 January 2006.

- (ii) Salcon Water (HK) Limited, a wholly owned subsidiary of the Company has on 22 April 2005 entered into a conditional Transfer-Operate-Transfer agreement with the Construction Bureau of Changle County, Weifang Municipality, Shandong Province, People's Republic of China to acquire the Changle sewage treatment plant and related facilities, for a total cash consideration of RMB18.0 million.

The completion of the proposed acquisition is subject to satisfactory completion of the due diligence exercise and the approval of the registration and setting up of a new local Chinese company to undertake the project.

The due diligence exercise is currently under review and the approval on the registration and setting up of the new local Chinese company has yet to be obtained.

- (iii) On 7 July 2005, Salcon Berhad ("the Company") has announced a Proposed Private Placement of up to 19,276,860 new Salcon ordinary shares of RM0.50 each representing ten percent (10%) of Salcon's existing issued and paid-up share capital ("Proposed Private Placement").

The Proposed Private Placement together with the listing of and quotation for the new Salcon ordinary shares of RM0.50 each, to be issued pursuant to the Proposed Private Placement, on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") were approved by the Securities Commission ("SC") via its letter dated 29 July 2005 subject to the following conditions:

- (i) Affin Merchant/the Company should disclose details of the proposed utilisation of proceeds from the Proposed Private Placement, which is intended for working capital, in an announcement to Bursa Securities;
- (ii) Affin Merchant should submit to the SC the list of placees, the number of shares placed to them and the issue price of the placement shares, upon the completion of the Proposed Private Placement;
- (iv) Affin Merchant should inform the SC upon completion of the Proposed Private Placement; and
- (v) Affin Merchant/the Company should fully comply with the requirements of the Policies and Guidelines on Issue/Offer of Securities in implementing the Proposed Private Placement.

Further, vide the same SC's letter, the SC also approved the Proposed Private Placement pursuant to the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests.

On 9 August 2005, the Board of Directors of the Company has determined 9 August 2005 as the price-fixing date for up to 19,276,860 Placement Shares to be issued pursuant to the Proposed Private Placement. Accordingly, the issue price has been fixed at RM0.51 for one (1) Placement Share, after having taken into consideration the five (5)-day weighted average market price of the ordinary shares of the Company up to 8 August 2005 of RM0.57. The issue price of RM0.51 per (1) Placement Share represents a discount of 10.5% over the five (5)-day weighted average market price of the Company up to 8 August 2005 of RM0.57.



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The number of shares placed is 19,276,800 and this new ordinary shares of RM0.50 each has been granted listing and quotation on the Main Board of Bursa Malaysia Securities Berhad on 10 October 2005.

The status of the utilisation of the proceeds as at 21 November 2005 is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

	Approved RM'000	Utilised RM'000	Unutilised RM'000
Payment of operating and general administrative expenses	5,927	(1,250)	4,677
Repayment of short term loans	2,209	(380)	1,829
Repayment of interest on Collateralised Loan Obligation	1,545	-	1,545
Payment of expenses relating to the Proposed Private Placement	150	(79)	71
	<u>9,831</u>	<u>(1,709)</u>	<u>8,122</u>

- (iv) Chenggong Salcon Water Co. Ltd. ("CSW") has been incorporated and was issued a Temporary Operating License by Administrative Bureau of Industry & Commerce ("ABIC"), Kunming City, Yunnan Province. Salcon Berhad's proposed shareholding in this company is 60% and the proposed equity will be held via its wholly-owned subsidiary, Salcon Yunnan (HK) Co. Ltd. ("SYHK"). The registered equity of CSW was issued on 11 August 2005 and CSW has obtained a Permanent Operating License from ABIC.

As at 1 September 2005, SYHK via its Joint Venture company, CSW has taken over the operations and management of the water supply system in Chenggong County (also known as Modern New Kunming), Kunming City, People's Republic of China.

SYHK holds 60% of CSW which has been granted a 30 year concession to construct, manage and operate the water production and distribution system including the sale, billing and revenue collection of potable water in Chenggong County.

- (v) Salcon Linyi (HK) Ltd., ("SLHK") a wholly owned subsidiary of the Company via its Concessionaire, Linyi Salcon Water Co. Ltd. ("LSW") has on 11 November 2005 signed the Concession Agreement with The People's Government of Linyi City, China, for the management, operation and maintenance of the entire water supply system in Linyi city.

The Water Project will involve:-

- (i) Taking over the existing 150MLD plant and its supply area;
- (ii) Construction of the reticulation trunk main and sub-reticulation pipelines within the Concession Area; and
- (iii) A 30 years concession for the Concessionaire to operate and collect the water tariff from the users.

SLHK holds 60% of the registered capital of LSW.



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**5. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2005 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	-	47,188	47,188
Hire purchase liabilities	218	-	218
	<u>218</u>	<u>47,188</u>	<u>47,406</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	137	137
Revolving credits	-	2,500	2,500
Bankers acceptances	-	3,045	3,045
Hire purchase liabilities	185	-	185
	<u>185</u>	<u>5,682</u>	<u>5,867</u>
Total Group Borrowings	<u>403</u>	<u>52,870</u>	<u>53,273</u>

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

	Foreign currency RMB'000	Equivalent RM'000
Long Term Borrowings (Unsecured)	<u>4,702</u>	<u>2,187</u>

**6. Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at 21 November 2005 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

**7. Changes in Material Litigation**

The material litigations as at 21 November 2005 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report) are as follows:

- (i) Salcon Engineering Berhad ("SEB") had on 29 September 1999 commenced legal action in the Kuala Lumpur High Court against Citramuda Sdn Bhd ("Citramuda") and Readybuilt (M) Sdn Bhd ("Readybuilt"), being parties to an unincorporated consortium ("the Consortium"), for the sum of RM2,171,488.57 due to works carried out by SEB pursuant to a subcontract agreement dated 5 November 1996.

SEB obtained judgement in default against Citramuda on 15 December 1999. Citramuda was wound up by order of the Kuantan High Court on 20 June 2000. SEB attempted to enforce the judgement by way of garnishee proceedings against Kuala Lumpur International Airport Berhad, the employer of the Consortium but was not successful.



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Readybuilt had since been wound-up on 6 February 2004. Subsequently, SEB had filed its Proof of Debts to the Official Receiver on 28 June 2004 and had proceeded with the filing of its Supporting Affidavit on 1 March 2005 in accordance with Section 226(3) of the Companies Act, 1965 in order to obtain judgement. The case is now pending creditors meeting. SEB had filed the Forms of Summons (General) dated 24 May 2005 with the Kuala Lumpur High Court on 25 May 2005 for leave to continue with SEB's civil suit against Readybuilt. Hearing on the Forms of Summons (General) has been fixed on 8 December 2005 and the mention date for the earlier civil suit was fixed on 9 January 2006 .

- (ii) MQS Engineering Sdn Bhd ("MQS") instituted legal proceedings in Shah Alam High Court against SEB for an amount of RM4,745,035 pursuant to a Novation Agreement and Settlement Agreement both dated 23 November 2000. In response, SEB has successfully applied to amend the Defence and to include a Counter-Claim of RM1,780,004.00 in the suit.

At the case management held on 16 September 2005, the Court was informed that all matters pertaining to the parties claims have been complied with and accordingly the Court fixed the full trial hearing for the Claim and Counter-Claim on 10 May to 12 May 2006.

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

Compared to the preceding quarter of 2 months from 1 May 2005 to 30 June 2005, the Group's revenue for this three month period decreased by RM3.3 million (12%) whereas its profit before tax increased marginally by RM0.16 million (21%) largely due share of profits from Associated companies.

**9. Review of Performance of the Company and its Principal Subsidiaries**

For the quarter under review, the Group recorded revenue and profit before tax of RM23.5 million and RM0.9 million respectively. No comparison was made against the previous corresponding quarter as the Group has changed its financial year-end from the existing 31 July to 31 December as detailed in Note A1.

For the 14 month period to date, the Group recorded revenue and profit before tax of RM136.2 million and RM5.4 million respectively. No comparison was made against the previous corresponding period as the Group has changed its financial year-end from the existing 31 July to 31 December as detailed in Note A1.

**10. Prospects for the Current Year**

With the prevailing local market conditions, the Board expects the remaining months of the financial year for the contracting sector to be challenging. However, the long-term Operation and Maintenance contracts and concessions will provide a stable revenue stream for the Group.

The Group continues to pursue water and wastewater projects within Malaysia focusing on non-revenue water, Operation & Maintenance services and sewerage projects. The Group's success in securing 3 water concessions in China within 2 years demonstrates the Group's ability to expand overseas based on its inherent strength and good track record.

The Group will continue to seek more concession operations within China and other Asian countries.



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**11. Variance of Profit Forecast / Profit Guarantee**

Not applicable to the Group.

**12. Proposed Dividend**

No dividend has been declared nor recommended for the 14 month period ended 30 September 2005.

**13. Earnings/(Loss) Per Share**

The basic and diluted earnings/(loss) per share have been calculated based on the consolidated net profit attributable to ordinary shareholders for the period and the weighted average number of ordinary shares outstanding during the period as follows:

**Basic earnings/(loss) per share**

	Current Quarter Ended 30/09/05	Comparative Quarter Ended 30/09/04	Cumulative Quarter To-date 30/09/05	30/09/04
Net profit attributable to ordinary shareholders (RM'000)	<u>30</u>	<u>N/A</u>	<u>600</u>	<u>N/A</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	192,769	N/A	192,769	N/A
Effect of shares issued during the period ('000)	<u>419</u>	<u>N/A</u>	<u>90</u>	<u>N/A</u>
Weighted average number of ordinary shares ('000)	<u>193,188</u>	<u>N/A</u>	<u>192,859</u>	<u>N/A</u>
Basic earnings per share (sen)	0.016	N/A	0.311	N/A

**Note:**

The comparative figures are not applicable due to the change of financial year as detailed in Note A1.

**Diluted earnings/(loss) per share**

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in respect of options over ordinary shares granted to employees.

Since the exercise price of options over ordinary shares are above the fair value of the Company's ordinary shares as at the end of the financial quarter to date, the options over ordinary shares are non-dilutive. Accordingly, diluted earnings per share information is not presented in the financial statements.



**SALCON BERHAD** (Company No: 593796-T)  
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**14. Comparative figures**

The comparative figures are not applicable due to the change of financial year as detailed in Note A1.

**ON BEHALF OF THE BOARD**

**DATO' LIM SEE TEOK**  
Chief Executive Officer/ Director

Selangor Darul Ehsan  
24 November 2005