



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

**UNAUDITED THIRD QUARTER REPORT ENDED 30 APRIL 2004
CONDENSED CONSOLIDATED BALANCE SHEETS**

	30/04/2004 RM'000	31/07/2003 RM'000
Property, plant and equipment	25,552	16,939
Investment in associates	60,683	61,370
Other investments	6,790	6,790
Goodwill	3,359	3,506
	<hr/>	<hr/>
	96,384	88,605
Current assets		
Inventories	559	393
Trade and other receivables	145,109	222,622
Tax recoverable	1,285	-
Cash and cash equivalents	13,911	34,303
	<hr/>	<hr/>
	160,864	257,318
Current liabilities		
Trade and other payables	82,685	191,700
Borrowings	32,936	56,752
Taxation	-	3,314
Dividend payable	-	1,500
	<hr/>	<hr/>
	115,621	253,266
Net Current assets	<hr/>	<hr/>
	45,243	4,052
	<hr/>	<hr/>
	141,627	92,657
Financed by :-		
Capital and reserves		
Share capital	96,384	81,031
Reserves	36,303	6,231
	<hr/>	<hr/>
	132,687	87,262
Minority shareholders' interests	8,254	4,370
Long term and deferred liabilities		
Borrowings	564	903
Deferred taxation	122	122
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	686	1,025
	<hr/>	<hr/>
	141,627	92,657

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the period ended 31 July 2003.



SALCON BERHAD (Company No: 593796-T)
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**UNAUDITED THIRD QUARTER REPORT ENDED 30 APRIL 2004
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/04/2004 RM'000	30/04/2003 RM'000	30/04/2004 RM'000	30/04/2003 RM'000
Revenue	22,535	-	99,411	-
Operating expenses	(22,349)	-	(85,003)	-
Other operating expenses	-	-	-	-
Other operating income	39	-	205	-
Operating profit	225	-	14,613	-
Interest expense	(490)	-	(1,584)	-
Interest income	48	-	610	-
Share of profit of associates	951	-	3,687	-
Share of profit of jointly controlled entity	-	-	-	-
Exceptional items	-	-	-	-
Profit before tax	734	-	17,326	-
Tax expense	(66)	-	(4,186)	-
Profit after tax	668	-	13,140	-
Less: Minority interests	(451)	-	(1,951)	-
Net profit for the period	217	-	11,189	-
Basic earnings per ordinary share (sen)	0.11	-	5.90	-
Diluted earnings per ordinary share (sen)	-	-	5.83	-

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the period ended 31 July 2003.



SALCON BERHAD (Company No: 593796-T)
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UNAUDITED THIRD QUARTER REPORT ENDED 30 APRIL 2004
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non - distributable →			Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Equalisation RM'000	Retained Profits RM'000	
At 1 August 2003	81,031	-	-	6,231	87,262
Issue of shares					
- Public issues	14,600	20,440	-	-	35,040
Listing expenses	-	(3,612)	-	-	(3,612)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	(8)	-	(8)
Employees' Share Option Scheme	753	2,063	-	-	2,816
Net profit for the period	-	-	-	11,189	11,189
At 30 Apr 2004	96,384	18,891	(8)	17,420	132,687

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the period ended 31 July 2003.



SALCON BERHAD (Company No: 593796-T)
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UNAUDITED THIRD QUARTER REPORT ENDED 30 APRIL 2004
CONDENSED CONSOLIDATED CASHFLOW STATEMENT

	9 months ended 30/04/2004 RM'000
<u>Cash flows from operating activities</u>	
Profit before tax	17,326
Adjustments for :	
- Non-cash items	(1,337)
- Non-operating items	974
Operating profit before working capital changes	16,963
Changes in working capital	13,741
Cash used in operating activities	30,704
Income taxes paid	(8,626)
Interest paid	(1,584)
Net cash generated from operating activities	20,494
<u>Cash flows from investing activities</u>	
- Equity investments	(200)
- Other investments	(681)
- Transfer of listing status	(28,000)
- Interest received	610
Net cash used in investing activities	(28,271)
<u>Cash flows from financing activities</u>	
- Proceeds from issuance of share capital	13,244
- Listing expenses	(3,612)
- Proceeds from bank borrowings	76,046
- Redemption of preference shares from associates co.	3,400
- Repayments from bank borrowings	(101,712)
- Dividends paid to previous shareholder of SEB	(1,500)
- Payment of hire purchase liabilities	(314)
Net cash used in financing activities	(14,448)
Net increase in cash and cash equivalents	(22,225)
Effects of exchange rate changes	(46)
Cash and cash equivalents at beginning of period	33,133
Cash and cash equivalents at end of period	10,862



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

	At end of period RM'000	At beginning of period RM'000
Cash and bank balances	12,461	33,646
Deposits placed with licensed banks	1,450	657
Bank overdrafts	<u>(2,507)</u>	<u>(573)</u>
	11,404	33,730
Fixed deposits pledged to banks	<u>(542)</u>	<u>(597)</u>
	<u>10,862</u>	<u>33,133</u>

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the period ended 31 July 2003.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 APRIL 2004

A. DISCLOSURE REQUIREMENTS AS PER MASB 26

1. Basis of Accounting and Accounting Policies

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

2. Preceding Annual Financial Statement

There is no preceding comparative quarter as Salcon Berhad effectively commenced operation on 21 July 2003.

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 and financial year to-date.

5. Material Changes in Estimates

There were no changes in estimates of amounts in the current financial period under review.

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 financial period under review except for the following:

- i) On 31 October 2003, the Company has implemented its Employees Share Option Scheme (ESOS), which was approved by shareholders on 22 July 2003. The Scheme shall be for a duration of 5 years from 31 October 2003. The Company may, if the Board and the Option Committee deem fit, extend the Scheme for another 5 years.
- ii) On 7 January 2004, 7,650,500 ordinary shares of RM0.50 each at RM1.87 per new ordinary share were offered to Executive Directors and eligible employees of the Company and its subsidiaries.
- iii) As at 30 April 2004, 1,506,100 ordinary shares of RM0.50 each at RM1.87 per new ordinary share were issued, pursuant to the ESOS offered on 7 January 2004.

7. Dividends Paid

There were no dividend paid during the quarter under review.



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8. Segmental Reporting

	Gross Operating Revenue RM'000	Profit/(Loss) Before Taxation RM'000
Water and Environmental Division	53,026	9,367
Wastewater Division	42,633	5,118
Building Services Division	412	37
Trading Services Division	3,569	(81)
Others	596	172
	<u>100,236</u>	<u>14,613</u>
Inter-segment elimination	(825)	-
Net financing costs	-	(974)
Share of profit of associates companies	-	3,687
	<u>99,411</u>	<u>17,326</u>

9. Valuations of Property, Plant and Equipment

The policy on valuation of property, plant and equipment is consistent with the subsidiary acquired during the period.

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 June 2004 (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 third quarter and nine months ended 30 April 2004.

12. Changes in Contingent Liabilities/Contingent Assets

Since the last annual financial statements for the financial period 31 July 2003, the changes in contingent liabilities are as follows:

	Increase/ (Decrease) RM'000
Guarantees and contingencies relating to borrowings of:	
- Associates	(1,520)
Bank guarantees given to third parties relating to performance, tender and advance payment bonds	<u>8,875</u>
	<u>7,355</u>



SALCON BERHAD (Company No: 593796-T)
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13. Trade and other receivables

Trade and other receivables consists of the following:-

	RM'000
Trade receivables	97,897
Less: Allowance for doubtful debts	<u>(3,102)</u>
	94,795
Amount due from contract customers	36,367
Affiliated company	201
Associates	4,141
Other receivables, deposits and prepayment	<u>9,605</u>
	<u>145,109</u>

14. Trade and other payables

Trade and other payables consists of the following:-

	RM'000
Trade payables	57,355
Other payables and accruals	16,247
Associates	6,534
Amount due to contract customers	<u>2,549</u>
	<u>82,685</u>



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

1. Taxation

	Current Quarter Ended 30/04/04 RM'000	Cumulative Current Period ToDate 30/04/04 RM'000
Current tax expense	66	4,186
Deferred tax	-	-
	<u>66</u>	<u>4,186</u>

The Group's effective tax rate is lower than the statutory tax rate for the current quarter principally due to profit from overseas projects that are exempted from income tax.

2. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the current quarter.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the quarter.

Total investments in quoted securities as at 30 April 2004 are as follows :

	RM'000
At cost	175
At book value	175
At market value	40

4. Status of Corporate Proposals

There was no corporate proposal announced or pending during the financial year-to-date.



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5. Group Borrowings and Debt Securities

Total Group borrowings as at 30 April 2004 are as follows :

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Hire purchase liabilities	564	-	564
	564	-	564
	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short Term Borrowings</u>			
Bank overdrafts	-	2,507	2,507
Revolving credits	-	6,149	6,149
Bankers acceptances	-	23,834	23,834
Hire purchase liabilities	446	-	446
	446	32,490	32,936
 Total Group Borrowings	1,010	32,490	33,500

None of the above Group borrowings are denominated in foreign currency.

6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 21 June 2004 (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 litigation as at 21 June 2004 (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.
Readybuilt has since been wound-up on 6 February 2004. As such, SEB has filed its Proof of Debts at the Official Receivers.

- (ii) MQS Engineering Sdn Bhd ("MQS") had taken 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.
SEB has successfully applied to amend the Defence and to include a Counter-Claim of RM1,780,004.00 in the suit. The full trial is fixed on 21, 22 and 23 February 2005.



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8. Material Changes in the Quarterly Results compared to the results of the Preceding Quarter

There is no preceding comparative quarter as Salcon Berhad effectively commenced operation on 21 July 2003.

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

For the current quarter, Salcon Group achieved a turnover of RM22.5 million. This represents a decrease of 45% from the previous quarter due mainly to lower orders. The water and wastewater sectors have experienced a decline in activities and consequently affected the Group's profitability. However, the Group received an order of RM52 million from Lembaga Air Perak for the construction of Sg Kinta Water Treatment Plant and associated works for Greater Ipoh Work Supply Scheme II which will contribute positively towards future results.

10. Prospects for the Current Year

The Group is actively pursuing water and wastewater projects in Malaysia and the region, including Thailand, Vietnam, India and Sri Lanka. In China, the Group has recently signed five framework agreements with local counties/municipalities for construction of water treatment facilities and supply of water that will provide recurring income for the next 30 years to the Group.

11. Variance of Profit Forecast / Profit Guarantee

Profit forecast is not applicable for this quarter. There is no profit guarantee issued by the Group or the Company.

12. Proposed Dividend

No dividend has been proposed or declared for the 3rd quarter and nine months ended 30 April 2004.

13. Earnings Per Share

The basic and diluted earnings 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 follow:



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Basic earnings per share

	Current Quarter Ended 30/04/04	Comparative Quarter Ended 30/04/03	9 months Cummulative Todate	
			30/04/04	30/04/03
<u>Earnings</u>				
Net profit attributable to ordinary shareholders (RM'000)	217	-	11,189	-
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	191,418	-	162,062	-
Effect of shares issued during the period ('000)	978	-	27,655	-
Weighted average number of ordinary shares ('000)	192,396	-	189,717	-

Diluted earnings per share

	Current Quarter Ended 30/04/04	Comparative Quarter Ended 30/04/03	9 months Cummulative Todate	
			30/04/04	30/04/03
<u>Earnings (diluted)</u>				
Net profit attributable to ordinary shareholders (RM'000)	217	-	11,189	-
After tax effect of notional interest savings (RM'000)	80	-	239	-
Net profit attributable to ordinary shareholders (diluted-RM'000)	297	-	11,428	-
<u>Weighted average number of ordinary shares (diluted)</u>				
Weighted average number of ordinary shares as above ('000)	192,396	-	189,717	-
Effect of approved unexercised ESOS ('000)	6,144	-	6,144	-
Weighted average number of ordinary shares (diluted)	198,540	-	195,861	-
Diluted earnings per share (sen)	-	-	5.83	-

The diluted earnings per share for the current quarter is not shown as the effect is anti-dilutive.