



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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
AS AT 31 DECEMBER 2006**

	31/12/2006 RM'000	31/12/2005 RM'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	136,441	32,561
Investment in associates	55,440	62,056
Investment properties	2,318	2,318
Other investments	11,079	11,079
Goodwill	11,246	7,142
Deferred tax assets	6,421	77
	<u>222,945</u>	<u>115,233</u>
<b>CURRENT ASSETS</b>		
Inventories	1,457	756
Trade and other receivables	87,208	106,264
Tax recoverable	2,089	6,200
Cash and cash equivalents	22,196	29,861
	<u>112,950</u>	<u>143,081</u>
<b>TOTAL ASSETS</b>	<u>335,895</u>	<u>258,314</u>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the parent		
Share capital	106,023	106,023
Reserves	6,950	2,517
	<u>112,973</u>	<u>108,540</u>
Minority interests	37,719	21,051
<b>TOTAL EQUITY</b>	<u>150,692</u>	<u>129,591</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	69,625	47,359
<b>CURRENT LIABILITIES</b>		
Trade and other payables	78,311	67,763
Borrowings	36,806	13,362
Dividend payable	0	202
Taxation	461	37
	<u>115,578</u>	<u>81,364</u>
<b>TOTAL LIABILITIES</b>	<u>185,203</u>	<u>128,723</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>335,895</u>	<u>258,314</u>
Net assets per share (RM)	0.53	0.51

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the 17-month period ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE FOURTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2006**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year Todate</b>	Preceding Year Corresponding Period
	<b>31/12/2006 RM'000</b>	31/12/2005 RM'000	<b>31/12/2006 RM'000</b>	31/12/2005 RM'000
<b>Revenue</b>	<b>22,598</b>	N/A	<b>121,290</b>	N/A
Cost of sales	<u>(12,587)</u>	N/A	<u>(92,294)</u>	N/A
<b>Gross Profit</b>	<b>10,011</b>	N/A	<b>28,996</b>	N/A
Other income	<b>127</b>	N/A	<b>1,419</b>	N/A
Other expenses	<u>(4,477)</u>	N/A	<u>(4,477)</u>	N/A
Distribution costs	<u>(733)</u>	N/A	<u>(2,902)</u>	N/A
Administrative expenses	<u>(6,693)</u>	N/A	<u>(24,635)</u>	N/A
<b>Loss from operations</b>	<b>(1,765)</b>	N/A	<b>(1,599)</b>	N/A
Interest expense	<u>(1,349)</u>	N/A	<u>(4,679)</u>	N/A
Interest income	<b>342</b>	N/A	<b>498</b>	N/A
Share of profit after tax of jointly controlled entity	<b>0</b>	N/A	<b>1,200</b>	N/A
Share of profit after tax and minority interest of associates	<u>1,985</u>	N/A	<u>5,129</u>	N/A
<b>Profit/(Loss) before tax</b>	<b>(787)</b>	N/A	<b>549</b>	N/A
Taxation	<u>6,004</u>	N/A	<u>4,469</u>	N/A
<b>Profit for the period</b>	<u><b>5,217</b></u>	N/A	<u><b>5,018</b></u>	N/A
Attributable to:				
Equity holders of the parent	<b>4,816</b>	N/A	<b>4,327</b>	N/A
Minority interests	<u>401</u>	N/A	<u>691</u>	N/A
<b>Profit for the period</b>	<u><b>5,217</b></u>	N/A	<u><b>5,018</b></u>	N/A
Basic earnings per ordinary share (sen)	<b>2.271</b>	N/A	<b>2.041</b>	N/A

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note14 of Part B to the attached Explanatory Note.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the 17-month period ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



**SALCON BERHAD** (Company No: 593796-T)  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2006**

	← Attributable to Equity Holders of the Parent →					Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Distributable Retained Profits/ (Accumulated losses) RM'000			
<b>At 1 January 2006</b>								
As previously stated	106,023	19,011	114	-	(17,289)	107,859	21,051	128,910
Prior year adjustments								
- effects of adopting FRS 3	-	-	-	-	681	681	-	681
<b>At 1 January 2006 (restated)</b>	<b>106,023</b>	<b>19,011</b>	<b>114</b>	<b>-</b>	<b>(16,608)</b>	<b>108,540</b>	<b>21,051</b>	<b>129,591</b>
Foreign currency translation	-	-	88	-	-	88	-	88
Revaluation of property, plant and equipment	-	-	-	18	-	18	-	18
Net gains recognised directly in equity	-	-	88	18	-	106	-	106
Profit for the period	-	-	-	-	4,327	4,327	691	5,018
Total recognised income and expense for the period	-	-	88	18	4,327	4,433	691	5,124
Acquisition of subsidiaries	-	-	-	-	-	-	16,668	16,668
Dividends to minority interests	-	-	-	-	-	-	(691)	(691)
<b>At 31 December 2006</b>	<b>106,023</b>	<b>19,011</b>	<b>202</b>	<b>18</b>	<b>(12,281)</b>	<b>112,973</b>	<b>37,719</b>	<b>150,692</b>

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note 14 of Part B to the attached Explanatory Note.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the 17-month period ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



**SALCON BERHAD** (Company No: 593796-T)  
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**UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT  
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2006**

	<b>12 months Ended 31/12/2006 RM'000</b>	12 months Ended 31/12/2005 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	549	N/A
Adjustments for :		
- Non-cash items	(994)	N/A
- Non-operating items	4,181	N/A
Operating profit before working capital changes	<u>3,736</u>	N/A
Changes in working capital	<u>33,492</u>	N/A
Cash used from operations	37,228	N/A
Income taxes refund / (paid)	2,660	N/A
Interest paid	(4,679)	N/A
<b>Net cash from operating activities</b>	<u><u>35,209</u></u>	N/A
<b><u>Cash flows from investing activities</u></b>		
- Proceed from sale of fixed assets	260	N/A
- Purchase of fixed assets	(35,707)	N/A
- Acquisition of subsidiaries, net of cash acquired	(52,685)	N/A
- Interest received	498	N/A
<b>Net cash used in investing activities</b>	<u><u>(87,634)</u></u>	N/A
<b><u>Cash flows from financing activities</u></b>		
- Proceeds from bank borrowings	72,973	N/A
- Repayments of bank borrowings	(30,003)	N/A
- Dividends paid to minority shareholders	(893)	N/A
- Payment of hire purchase liabilities	(237)	N/A
<b>Net cash from financing activities</b>	<u><u>41,840</u></u>	N/A
Effects of exchange rate changes	85	N/A
Net increase in cash and cash equivalents	(10,500)	N/A
Cash and cash equivalents at beginning of period	<u>29,818</u>	N/A
<b>Cash and cash equivalents at end of period</b>	<u><u>19,318</u></u>	N/A



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

	<b>12 months Ended 31/12/2006 RM'000</b>	12 months Ended 31/12/2005 RM'000
Cash and bank balances	<b>7,347</b>	N/A
Deposits placed with licensed banks	<b>14,849</b>	N/A
Bank overdrafts	<b>(2,878)</b>	N/A
	<b><u>19,318</u></b>	<u>N/A</u>

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note14 of Part B to the attached Explanatory Note.

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The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the 17-month period ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2006**

**A. EXPLANATORY NOTES PURSUANT TO FRS 134 – Interim Financial Reporting**

**1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134 – Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the 17-month period ended 31 December 2005 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 statement for the 17-month period ended 31 December 2005.

**1.1 Changes in 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 the 17-month period ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRSs 2, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 138 and 140 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:



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**(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets**

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortization. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in the profit and loss accounts and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight line basis over its estimated useful life of not more than 20 years. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions of FRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortization as of 1 January 2006 has been offset against the cost of the goodwill. This has the effect of reducing the amortization charges by RM384,000 and RM1,536,000 in the current quarter and cumulative quarter respectively.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was amortised over the weighted average useful life of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases, it was recognised in profit or loss as those expected losses were incurred. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM680,652 was derecognized with corresponding increase in retained earnings.

**(b) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**1.2 Comparatives**

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

**Balance Sheet**

	Previously stated RM'000	Adjustment (Note A1.1(a)) RM'000	Restated RM'000
<b>At 31 December 2005</b>			
Accumulated losses	(17,289)	681	(16,608)



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**2. Preceding Annual Financial Statement**

The audit report of the Group's annual financial statements for the 17-month period ended 31 December 2005 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 cashflows of the Group for the cumulative quarter ended 31 December 2006.

**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 2006.

**7. Dividends Paid**

There were no dividend paid for the cumulative quarter ended 31 December 2006.





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**8. Segmental Reporting**

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2006 are as follows:-

	<b>Water</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>
<b>Revenue</b>						
External	73,794	38,877	8,619	-	-	121,290
Inter segment	-	-	-	530	(530)	-
	<u>73,794</u>	<u>38,877</u>	<u>8,619</u>	<u>530</u>	<u>(530)</u>	<u>121,290</u>
<b>Results</b>						
Profit/(Loss) from operations	1,590	2,185	693	(118)	-	4,350
Share of profit after tax of jointly controlled entity	1,200	-	-	-	-	1,200
Share of profit after tax and minority interest of associates	3,725	-	-	1,404	-	5,129
	<u>6,515</u>	<u>2,185</u>	<u>693</u>	<u>1,286</u>	<u>-</u>	<u>10,679</u>
Unallocated corporate expense						(5,949)
Net financing costs						(4,181)
Profit before taxation						<u>549</u>

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

Land and buildings were revalued during the current quarter by independent firm of valuer on an investment method basis. As a result of the valuation, a revaluation surplus of RM17,937 have been recognized as land and buildings revaluation reserve.

**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 2007 (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**

The changes in the composition of the Group during the 12 month period ended 31 December 2006 were as follows:-

- (i) Salcon Berhad (SB) had on 20 April 2006, incorporated two wholly-owned subsidiaries, Salcon Water International Limited and Salcon Water (Asia) Limited, both companies were incorporated in Hong Kong with a paid up capital of HK\$1.00 divided into 1 share of HK\$1.00 each. These changes had no material impact on the earnings and net assets of the Group for the cumulative quarter.



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- (ii) Salcon Berhad (SB) had on 12 June 2006, incorporated a wholly-owned subsidiary, Salcon Zhejiang (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 earnings and net assets of the Group for the cumulative quarter.
- (iii) Salcon Zhejiang (HK) Limited (“Salcon Zhejiang”), a wholly-owned subsidiary of Salcon Berhad had on 31 August 2006 entered into a Joint Venture Agreement (“JV”) with Haining City Water Investment Ltd. Group to set up the joint venture company, Haining Salcon Water Company Limited (“Haining Salcon”) on a 60:40 basis. Pursuant to the JV, Salcon Zhejiang had subscribed for 60% of the initial register capital in Haining Salcon for a cash consideration of USD6.75 million.
- (iv) Salcon Engineering Berhad (“SEB”), a wholly-owned subsidiary of Salcon Berhad had on 26 September 2006 acquired 100% of the issued and paid-up share capital of Salcon (Perak) Sdn. Bhd. (formerly known as Mantap Realiti Sdn. Bhd) comprising 2 ordinary shares of RM1.00 each for a nominal consideration of RM2.00. The acquisition had no material impact on the earnings and net assets of the Group for the cumulative quarter. On 31 October 2006, SEB acquired additional 4 ordinary shares of RM1.00 each for a nominal consideration of RM4.00 from the creation of an additional 8 ordinary shares of RM1.00. After the additional acquisitions of 4 ordinary shares, the effective interest in Salcon (Perak) Sdn. Bhd is 60%.
- (v) Salcon Engineering Berhad, a wholly-owned subsidiary of Salcon Berhad had on 20 November 2006 acquired 100% of the issued and paid-up share capital of Salcon Infrastructure Sdn. Bhd. comprising 2 ordinary shares of RM1.00 each for a nominal consideration of RM2.00. The acquisition had no material impact on the earnings and net assets of the Group for the cumulative quarter.
- (vi) Salcon Berhad had on 28 November 2006 acquired 100% of the issued and paid-up share capital of Salcon Technology Sdn. Bhd. (formerly known as Telcalibre Sdn. Bhd) comprising 2 ordinary shares of RM1.00 each for a nominal consideration of RM2.00. The acquisition had no material impact on the earnings and net assets of the Group for the cumulative quarter.

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

The changes in contingent liabilities since the last annual balance sheet date as at 31 December 2005 to 20 February 2007 (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>
<b>Bank guarantees given to third parties relating to performance, tenders and advance payment bonds</b>	<b>3,227</b>

**13. Net assets (NA) per share**

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	112,973
No. of shares	<u>212,046</u>
NA per share (RM)	<u>0.53</u>



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

**1. Taxation**

The breakdown of tax charge /(credit) is as follows:-

	Current Quarter Ended 31/12/06 RM'000	Cumulative Quarter To-date 31/12/06 RM'000
Current period	608	1,909
Prior year	(268)	(34)
Deferred tax	<u>(6,344)</u>	<u>(6,344)</u>
	<u>(6,004)</u>	<u>(4,469)</u>

For the current and cumulative quarter ended 31 December 2006, the Group's taxation charges were largely due to tax provisions made by certain subsidiaries. Tax losses of certain subsidiaries were not fully set-off against taxable profits made by other subsidiaries.

The deferred tax assets of the Group recognised in the current quarter relates mainly to unutilized tax losses of a subsidiary which can be utilised to set off against future taxable profit of that subsidiary company.

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

There were no disposals of unquoted investments or properties during the cumulative quarter ended 31 December 2006.

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

There were no purchases or disposals of quoted investments during the cumulative quarter ended 31 December 2006. Total investments in quoted securities as at 31 December 2006 were as follows:

	RM'000
At cost	175
At book value	18
At market value	16

**4. Status of Corporate Proposals**

- (i) On 15 January 2007, Salcon Berhad ("Salcon") has announced a Proposed Renounceable Right Issue of up to 233,249,942 new ordinary shares of RM0.50 each in Salcon ("Rights Shares") with up to 116,624,971 free detachable warrants, on the basis of two (2) Rights Shares with one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each in Salcon held on a date to be determined later at an indicative issue price of RM0.57 per rights share ("Proposed Rights Issue With Warrants")

On 16 February 2007, Salcon has made an application to SC in relation to the Proposed Rights Issue with Warrants.



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**5. Group Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2006 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	-	69,477	69,477
Hire purchase liabilities	148	-	148
	<u>148</u>	<u>69,477</u>	<u>69,625</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	2,878	2,878
Revolving credits	-	250	250
Bankers acceptances	-	2,625	2,625
Term loan	-	30,953	30,953
Hire purchase liabilities	100	-	100
	<u>100</u>	<u>36,706</u>	<u>36,806</u>
Total Group Borrowings	<u>248</u>	<u>106,183</u>	<u>106,431</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)	52,626	24,477
Short Term Borrowings (Unsecured)	<u>8,500</u>	<u>3,953</u>

**6. Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at 20 February 2007 (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 20 February 2007 (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 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



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to obtain judgement. 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.

On 9 January 2006, the Kuala Lumpur High Court Judge was notified that the Winding-Up Court has allowed SEB's application for leave to proceed the suit against Readybuilt on 8 December 2005. On 6 March 2006, the Court was notified that the Order granting leave to proceed against Readybuilt is being obtained from the Court Registry. On 10 August 2006, the Judge has ordered the official receiver to attend the mention date on 3 October 2006. The official receiver attended the mention date on 3 October 2006 and the full trial date is on 7 December 2006.

The court has fixed the matter for decision on 6 March 2007.

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

Compared to the preceding quarter, the Group's revenue and profit before tax for the current quarter decreased by RM8.1 million (26%) and RM1.1 million (355%) respectively.

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

For the quarter under review, the Group recorded revenue and loss before tax of RM22.6 million and RM0.8 million respectively. No comparison was made against the previous corresponding quarter due to the change of financial year as detailed in Note14 below.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM121.3 million and RM0.5 million respectively. No comparison was made against the previous corresponding quarter due to the change of financial year as detailed in Note14 below.

**10. Prospects for the Next Financial Year**

For the coming financial year, the Group expects new water and sewerage projects and the existing China concessions to contribute positively to the Group's profitability.

Barring any unforeseen circumstances, the Group is confident of a better performance for the coming financial year.

On the domestic front, the Group will continue to capitalise on our years of experience and technical expertise to tap into new opportunities arising under the Ninth Malaysia Plan in the water and sewerage sectors.

Overseas, Salcon will continue to build on its successes in securing water and waste water concessions and will seek more investment opportunities in China and other countries.

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

Not applicable to the Group.



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**12. Proposed Dividend**

No dividend has been declared nor recommended for the cumulative quarter ended 31 December 2006.

**13. 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 earning per share**

	Current Quarter Ended 31/12/06	Comparative Quarter Ended 31/12/05	Cumulative Quarter To-date	
			31/12/06	31/12/05
Profit attributable to equity holders of the parent (RM'000)	<u>4,816</u>	<u>N/A</u>	<u>4,327</u>	<u>N/A</u>
<b><u>Weighted average number of ordinary shares</u></b>				
Issued ordinary shares at beginning of period ('000)	<u>212,045</u>	<u>N/A</u>	<u>212,045</u>	<u>N/A</u>
Effect of shares issued during the period ('000)	<u>-</u>	<u>N/A</u>	<u>-</u>	<u>N/A</u>
Weighted average number of ordinary shares ('000)	<u>212,045</u>	<u>N/A</u>	<u>212,045</u>	<u>N/A</u>
Basic earnings per share (sen)	2.271	N/A	2.041	N/A

Note:

The comparative figures are not applicable due to the change of financial year as detailed in Note 14 below.

**Diluted earnings 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 current quarter, the options over ordinary shares are non-dilutive. Accordingly, diluted earnings per share information is not presented in the financial statements.

**14. Comparative figures**

The comparative figures are not applicable for Consolidated Income Statement, Consolidated Cashflow Statement and Consolidated Statement of Changes in Equity due to the change of financial year in the preceding year which was effected on 28 June 2005 from 31 July to 31 December.



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**15. 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 2007.

**ON BEHALF OF THE BOARD**

**JAGGIT SINGH**  
**Executive Director**

Selangor Darul Ehsan  
27 February 2007