



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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
AS AT 31 MARCH 2007**

	31/03/2007 RM'000	31/12/2006 RM'000
<b>Assets</b>		
Property, plant and equipment	129,712	120,492
Goodwill	11,239	11,239
Prepaid lease payments	14,765	15,423
Investment properties	2,318	2,318
Investment in associates	56,471	55,440
Other investments	11,079	11,079
Deferred tax assets	6,421	6,421
<b>Total non-current assets</b>	<b>232,005</b>	<b>222,412</b>
Prepaid lease payments	507	527
Receivables, deposits and prepayments	75,843	87,208
Inventories	1,434	1,457
Current tax assets	2,086	2,089
Cash and cash equivalents	23,462	22,196
<b>Total current assets</b>	<b>103,332</b>	<b>113,477</b>
<b>Total assets</b>	<b>335,337</b>	<b>335,889</b>
<b>Equity</b>		
Share capital	106,023	106,023
Reserves	15,353	19,005
Accumulated losses	(12,124)	(12,281)
<b>Total equity attributable to shareholders of the Company</b>	<b>109,252</b>	<b>112,747</b>
<b>Minority interests</b>	<b>37,851</b>	<b>37,735</b>
<b>Total equity</b>	<b>147,103</b>	<b>150,482</b>
<b>Liabilities</b>		
Loans and borrowings	74,665	79,625
Payables and accruals	71,374	78,311
Loans and borrowings	41,415	26,806
Taxation	576	461
Dividend payable	204	204
<b>Total current liabilities</b>	<b>113,569</b>	<b>105,782</b>
<b>Total liabilities</b>	<b>188,234</b>	<b>185,407</b>
<b>Total equity and liabilities</b>	<b>335,337</b>	<b>335,889</b>
Net assets per share (RM)	0.52	0.53

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 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 FIRST QUARTER ENDED 31 MARCH 2007**

	Individual Quarter		Cumulative Quarter	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year ToDate</b>	Preceding Year Corresponding Period
	<b>31/03/2007 RM'000</b>	31/03/2006 RM'000	<b>31/03/2007 RM'000</b>	31/03/2006 RM'000
<b>Revenue</b>	<b>27,434</b>	33,083	<b>27,434</b>	33,083
Cost of sales	<u>(19,366)</u>	<u>(26,599)</u>	<u>(19,366)</u>	<u>(26,599)</u>
<b>Gross Profit</b>	<b>8,068</b>	6,484	<b>8,068</b>	6,484
Other income	<b>401</b>	277	<b>401</b>	277
Other expenses	<b>0</b>	(3)	<b>0</b>	(3)
Distribution costs	<b>(629)</b>	(758)	<b>(629)</b>	(758)
Administrative expenses	<u><b>(6,933)</b></u>	<u>(6,279)</u>	<u><b>(6,933)</b></u>	<u>(6,279)</u>
<b>Profit/(Loss) from operations</b>	<b>907</b>	(279)	<b>907</b>	(279)
Interest expense	<b>(1,477)</b>	(1,011)	<b>(1,477)</b>	(1,011)
Interest income	<b>320</b>	63	<b>320</b>	63
Share of profit after tax of jointly controlled entity	<b>0</b>	1,200	<b>0</b>	1,200
Share of profit after tax and minority interest of associates	<u><b>1,031</b></u>	<u>480</u>	<u><b>1,031</b></u>	<u>480</u>
<b>Profit before tax</b>	<b>781</b>	453	<b>781</b>	453
Taxation	<u><b>(507)</b></u>	<u>(289)</u>	<u><b>(507)</b></u>	<u>(289)</u>
<b>Profit for the period</b>	<u><b>274</b></u>	<u>164</u>	<u><b>274</b></u>	<u>164</u>
Attributable to:				
Equity holders of the parent	<b>158</b>	159	<b>158</b>	159
Minority interests	<u><b>116</b></u>	<u>5</u>	<u><b>116</b></u>	<u>5</u>
<b>Profit for the period</b>	<u><b>274</b></u>	<u>164</u>	<u><b>274</b></u>	<u>164</u>
Basic earnings per ordinary share (sen)	<b>0.075</b>	0.075	<b>0.075</b>	0.075
Diluted earnings per ordinary share (sen)	-	-	-	-

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	←— Attributable to Equity Holders of the Parent —→						
	←— Non – distributable —→		Distributable				
	Share Capital RM'000	Share Premium RM'000	Translation Reserve RM'000	Retained Profits/ (Accumulated losses) RM'000	Total RM'000	Minority Interests RM'000	Total Equity 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 121	-	-	(38)	38	-	-	-
<b>At 1 January 2006 (restated)</b>	<b>106,023</b>	<b>19,011</b>	<b>76</b>	<b>(17,251)</b>	<b>107,859</b>	<b>21,051</b>	<b>128,910</b>
Foreign currency translation	-	-	(358)	-	(358)	-	(358)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	433	-	433	-	433
Net gains recognised directly in equity	-	-	75	-	75	-	75
Profit for the period	-	-	-	159	159	5	164
Total recognised income and expense for the period	-	-	75	159	234	5	239
<b>At 31 March 2006</b>	<b>106,023</b>	<b>19,011</b>	<b>151</b>	<b>(17,092)</b>	<b>108,093</b>	<b>21,056</b>	<b>129,149</b>



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

	←————— 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 2007</b>	106,023	19,011	(24)	18	(12,281)	112,747	37,735	150,482
Foreign currency translation	-	-	(3,653)	-	-	(3,653)	-	(3,653)
Net gains recognised directly in equity	-	-	(3,653)	-	-	(3,653)	-	(3,653)
Profit for the period	-	-	-	-	158	158	116	274
Total recognised income and expense for the period	-	-	(3,653)	-	158	(3,495)	116	(3,379)
<b>At 31 March 2007</b>	<b>106,023</b>	<b>19,011</b>	<b>(3,677)</b>	<b>18</b>	<b>(12,123)</b>	<b>109,252</b>	<b>37,851</b>	<b>147,103</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



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

**UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT  
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

	<b>3 months Ended 31/03/2007 RM'000</b>	3 months Ended 31/03/2006 RM'000
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	781	453
Adjustments for :		
- Non-cash items	377	(948)
- Non-operating items	<u>1,157</u>	<u>948</u>
Operating profit before changes in working capital	<u>2,315</u>	453
Changes in working capital	<u>4,690</u>	<u>(8,820)</u>
Cash generate from/(used in) operations	<u>7,005</u>	<u>(8,367)</u>
Income taxes refund / (paid)	<u>(389)</u>	2,786
Interest paid	<u>(1,477)</u>	<u>(1,011)</u>
<b>Net cash generate from/(used in) operating activities</b>	<b><u>5,139</u></b>	<b><u>(6,592)</u></b>
<b><u>Cash flows from investing activities</u></b>		
- Proceed from disposal of property, plant and equipment	5	81
- Acquisition of property, plant and equipment	<u>(15,083)</u>	<u>(4,029)</u>
- Prepayment of lease term	<u>(74)</u>	-
- Interest received	<u>320</u>	<u>63</u>
<b>Net cash used in investing activities</b>	<b><u>(14,832)</u></b>	<b><u>(3,885)</u></b>
<b><u>Cash flows from financing activities</u></b>		
- Proceeds from bank borrowings	11,562	7,775
- Repayments of bank borrowings	<u>(1,831)</u>	<u>(8,987)</u>
- Payment of hire purchase liabilities	<u>(25)</u>	<u>(52)</u>
<b>Net cash from/(used in) financing activities</b>	<b><u>9,706</u></b>	<b><u>(1,264)</u></b>
Effects of exchange rate changes	1,152	70
Net increase/(decrease) in cash and cash equivalents	<u>1,165</u>	<u>(11,671)</u>
Cash and cash equivalents at beginning of period	<u>19,318</u>	<u>29,818</u>
<b>Cash and cash equivalents at end of period</b>	<b><u>20,483</u></b>	<b><u>18,147</u></b>



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

---

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

	<b>3 months Ended 31/03/2007 RM'000</b>	<b>3 months Ended 31/12/2006 RM'000</b>
Cash and bank balances	<b>9,116</b>	7,395
Deposits placed with licensed banks	<b>14,346</b>	12,231
Bank overdrafts	<b>(2,979)</b>	(1,479)
	<b><u>20,483</u></b>	<u>18,147</u>

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



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

---

**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

**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 year ended 31 December 2006 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 year ended 31 December 2006.

**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 year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2007:

FRS 6 Exploration for and Evaluation of Mineral Resources  
Amendment to FRS 119<sub>2004</sub> Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures  
FRS 124 Related Party Disclosures

The adoption of FRS 6 and FRS 119 are not applicable to the Group and the Company. Hence, no further disclosure is warranted. The adoption of FRS 124 does not have significant financial impact on the Group.

**2. Preceding Annual Financial Statement**

The audit report of the Group’s annual financial statements for the year ended 31 December 2006 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 quarter ended 31 March 2007.



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

**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 quarter ended 31 March 2007.

**7. Dividends Paid**

There were no dividend paid for the quarter ended 31 March 2007.

**8. Segmental Reporting**

The segmental revenue and results of the Group for the quarter ended 31 March 2007 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	17,235	7,948	2,251	-	-	27,434
Inter segment	-	-	-	132	(132)	-
	<u>17,235</u>	<u>7,948</u>	<u>2,251</u>	<u>132</u>	<u>(132)</u>	<u>27,434</u>
<b>Results</b>						
Profit/(Loss) from operations	930	842	143	(6)	-	1,909
Share of profit after tax and minority interest of associates	1,085	-	-	(54)	-	1,031
	<u>2,015</u>	<u>842</u>	<u>143</u>	<u>(60)</u>	<u>-</u>	<u>2,940</u>
Unallocated corporate expense						(1,002)
Net financing costs						(1,157)
Profit before taxation						<u>781</u>

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

There was no revaluation of property, plant and equipment during the quarter ended 31 March 2007. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.





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

**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 7 May 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 except for the following:

- a) Salcon Engineering Berhad, a wholly-owned subsidiary of Salcon Berhad had on 4 April 2007 accepted a conditional offer letter from Godrej Agrovet Limited, subject to a definitive agreement to be executed, to dispose the following investment for a total purchase consideration of RM24,000,000.00:
- (i) its entire equity interest in Cross Continental Investment (“CCI”), representing 49% of the issued and paid-up capital of CCI; and
  - (ii) its entire preference share capital in Palm Tech India Limited.

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

The were no changes in the composition of the Group during the 3 month period ended 31 March 2007.

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

The changes in contingent liabilities since the last annual balance sheet date as at 31 December 2006 to 7 May 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><u>(6,117)</u></b>

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

The NA per share is derived as follows:-

	<b>RM'000</b>
Shareholders funds	109,252
No. of shares	<u>212,046</u>
NA per share (RM)	<u>0.52</u>



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

**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 31/03/07 RM'000	Cumulative Quarter To-date 31/03/07 RM'000
Current period	<u>507</u>	<u>507</u>
	<u>507</u>	<u>507</u>

For the current and cumulative quarter ended 31 March 2007, 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.

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

There were no disposals of unquoted investments or properties during the cumulative quarter ended 31 March 2007.

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

There were no purchases or disposals of quoted investments during the quarter ended 31 March 2007. Total investments in quoted securities as at 31 March 2007 were as follows:

	RM'000
At cost	175
At book value	18
At market value	12

**4. Status of Corporate Proposals**

- (i) The Renounceable Rights Issue of 212,045,402 new ordinary shares of RM0.50 each ("Rights Shares") with 106,022,701 free detachable warrants ("Warrants"), on the basis of two (2) Rights Shares with one (1) Warrant for every two (2) existing ordinary shares of RM0.50 each at an issue price of RM0.57 per rights share.

The exercise price of the Warrants had been fixed at RM0.75.

The proceeds raise from the Rights Shares will be utilised for working capital and repayment of bank borrowings.

The above-mentioned corporate exercise will be completed by end of May 2007.



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

**5. Group Borrowings and Debt Securities**

Total Group borrowings as at 31 March 2007 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	-	74,546	74,546
Hire purchase liabilities	119	-	119
	<u>119</u>	<u>74,546</u>	<u>74,665</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	2,979	2,979
Revolving credits	-	3,450	3,450
Bankers acceptances	-	1,856	1,856
Term loan	-	33,026	33,026
Hire purchase liabilities	104	-	104
	<u>104</u>	<u>41,311</u>	<u>41,415</u>
Total Group Borrowings	<u>223</u>	<u>115,857</u>	<u>116,080</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)	66,182	29,546
Short Term Borrowings (Unsecured)	<u>13,500</u>	<u>6,027</u>

**6. Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risk as at 7 May 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 7 May 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.



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

---

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. 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.

On 6 March 2007, the Court has awarded judgment in favour of SEB against Readybuilt for the sum of RM2,171,508.89 together with the interest at 8% per annum on the judgment sum commencing from 28 October 1999 until the date of full settlement with costs to SEB.

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

For the current financial quarter, the Group revenue and pre-tax profit was higher by 21% and 200% respectively as compared with the immediate preceding quarter. The higher revenue was attributable the better performance in the wastewater sector whilst the higher pre-tax profit was due to the higher profit margin and lower provision for doubtful debts.

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

For the current financial quarter, the Group achieved revenues of RM27.43 million and pre-tax profit of RM0.78 million. Group revenue was lower by 17% as compared to the corresponding quarter in the preceding year due to lower recognition of construction income from water and wastewater sectors as some of the projects have been completed. Group pre-tax profit, however, was higher by 136% due to better profit margins and recognition of variation orders from past job.

Year-to-date performance is the same as the above as the quarter under review is the first quarter of the financial year.

**10. Prospects for the Current Year**

The Group expects a new sewerage project for which a letter of intent has been issued to commence in the 3<sup>rd</sup> quarter of this year. This project and the improvement in the existing China concessions will contribute positively to the Group's profitability.

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

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

Not applicable to the Group.



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

**12. Proposed Dividend**

No dividend has been declared nor recommended for the quarter ended 31 March 2007.

**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 31/03/07	Comparative Quarter Ended 31/03/06	Cumulative Quarter To-date 31/03/07	31/03/06
Profit attributable to equity holders of the parent (RM'000)	<u>158</u>	<u>159</u>	<u>158</u>	<u>159</u>
<b><u>Weighted average number of ordinary shares</u></b>				
Issued ordinary shares at beginning of period ('000)	<u>212,045</u>	<u>212,045</u>	<u>212,045</u>	<u>212,045</u>
Effect of shares issued during the period ('000)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares ('000)	<u>212,045</u>	<u>212,045</u>	<u>212,045</u>	<u>212,045</u>
Basic earnings per share (sen)	0.075	0.075	0.075	0.075

**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. 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 14 May 2007.

**ON BEHALF OF THE BOARD**

**JAGGIT SINGH**  
Executive Director

Selangor Darul Ehsan  
14 May 2007