



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

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

| | 31/12/2007 RM'000 | 31/12/2006 RM'000 |
|---|----------------------|----------------------|
| Assets | | |
| Property, plant and equipment | 187,444 | 120,492 |
| Goodwill | 11,276 | 11,239 |
| Prepaid lease payments | 25,138 | 15,423 |
| Investment properties | 2,068 | 2,318 |
| Investment in associates | 35,148 | 55,440 |
| Other investments | 3,586 | 11,079 |
| Deferred tax assets | 6,160 | 6,421 |
| Total non-current assets | 270,820 | 222,412 |
| Prepaid lease payments | 802 | 527 |
| Receivables, deposits and prepayments | 108,305 | 87,208 |
| Inventories | 1,650 | 1,457 |
| Current tax assets | 879 | 2,089 |
| Cash and cash equivalents | 117,832 | 22,196 |
| Total current assets | 229,468 | 113,477 |
| Total assets | 500,288 | 335,889 |
| Equity | | |
| Share capital | 212,600 | 106,023 |
| Reserves | 30,128 | 19,005 |
| Accumulated losses | (19,813) | (12,281) |
| Total equity attributable to shareholders of the Company | 222,915 | 112,747 |
| Minority interests | 38,935 | 37,735 |
| Total equity | 261,850 | 150,482 |
| Liabilities | | |
| Loans and borrowings | 123,221 | 79,625 |
| Payables and accruals | 91,484 | 78,311 |
| Loans and borrowings | 22,732 | 26,806 |
| Taxation | 592 | 461 |
| Dividend payable | 409 | 204 |
| Total current liabilities | 115,217 | 105,782 |
| Total liabilities | 238,438 | 185,407 |
| Total equity and liabilities | 500,288 | 335,889 |
| 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 FOURTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2007**

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------------------|--|------------------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year ToDate | Preceding Year Corresponding Period |
| | 31/12/2007 RM'000 | 31/12/2006 RM'000 | 31/12/2007 RM'000 | 31/12/2006 RM'000 |
| Revenue | 53,619 | 22,598 | 134,600 | 121,290 |
| Cost of sales | <u>(37,741)</u> | <u>(12,587)</u> | <u>(98,203)</u> | <u>(92,294)</u> |
| Gross Profit | 15,878 | 10,011 | 36,397 | 28,996 |
| Other income | 932 | 127 | 1,465 | 1,419 |
| Other expenses | (7,491) | (4,477) | (7,491) | (4,477) |
| Distribution costs | (681) | (733) | (2,608) | (2,902) |
| Administrative expenses | (7,425) | (6,693) | (27,687) | (24,635) |
| Loss on disposal of an associate | <u>(6,953)</u> | - | <u>(6,953)</u> | - |
| Loss from operations | (5,740) | (1,765) | (6,877) | (1,599) |
| Interest expense | (1,381) | (1,349) | (5,530) | (4,679) |
| Interest income | 784 | 342 | 2,421 | 498 |
| Share of profit after tax of jointly controlled entity | (793) | - | (47) | 1,200 |
| Share of profit after tax and minority interest of associates | <u>978</u> | <u>1,985</u> | <u>5,199</u> | <u>5,129</u> |
| Profit/(Loss) before tax | (6,152) | (787) | (4,834) | 549 |
| Taxation | <u>(924)</u> | <u>6,004</u> | <u>(1,331)</u> | <u>4,469</u> |
| Profit/(Loss) for the period | <u>(7,076)</u> | <u>5,217</u> | <u>(6,165)</u> | <u>5,018</u> |
| Attributable to: | | | | |
| Equity holders of the parent | (7,513) | 4,816 | (7,532) | 4,327 |
| Minority interests | 437 | 401 | 1,367 | 691 |
| Profit/(Loss) for the period | <u>(7,076)</u> | <u>5,217</u> | <u>(6,165)</u> | <u>5,018</u> |
| Basic earnings per ordinary share (sen) | (1.767) | 2.271 | (2.201) | 2.041 |
| 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)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2007**

| | ← 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 | | | |
| At 1 January 2006 | | | | | | | | |
| 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 |
| At 1 January 2006 (restated) | 106,023 | 19,011 | 114 | - | (16,608) | 108,540 | 21,051 | 129,591 |
| Foreign currency translation | - | - | (138) | - | - | (138) | 221 | 83 |
| Revaluation of property, plant and equipment | - | - | - | 18 | - | 18 | - | 18 |
| Net gains recognised directly in equity | - | - | (138) | 18 | - | (120) | 221 | 101 |
| Profit for the period | - | - | - | - | 4,327 | 4,327 | 691 | 5,018 |
| Total recognised income and expense for the period | - | - | (138) | 18 | 4,327 | 4,207 | 912 | 5,119 |
| Acquisitions of subsidiaries | - | - | - | - | - | - | 16,668 | 16,668 |
| Dividends to minority interests | - | - | - | - | - | - | (896) | (896) |
| At 31 December 2006 | 106,023 | 19,011 | (24) | 18 | (12,281) | 112,747 | 37,735 | 150,482 |



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2007 (continued)**

| | ← 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 | | | |
| At 1 January 2007 | 106,023 | 19,011 | (24) | 18 | (12,281) | 112,747 | 37,735 | 150,482 |
| Foreign currency translation | - | - | (2,329) | - | - | (2,329) | - | (2,329) |
| Revaluation of property, plant and equipment | - | - | - | 254 | - | 254 | - | 254 |
| Net gains recognised directly in equity | - | - | (2,329) | 254 | - | (2,075) | - | (2,075) |
| Profit/(Loss) for the period | - | - | - | - | (7,532) | (7,532) | 1,367 | (6,165) |
| Total recognised income and expense for the period | - | - | (2,329) | 254 | (7,532) | (9,607) | 1,367 | (8,240) |
| Issuance of shares | | | | | | | | |
| - rights issue | 106,022 | 14,843 | - | - | - | 120,865 | - | 120,865 |
| - exercise of Warrants 2007/2014 | 555 | 278 | - | - | - | 833 | - | 833 |
| Rights issue expenses | - | (1,913) | - | - | - | (1,913) | - | (1,913) |
| Exercise of warrants 2007/2014 expenses | - | (10) | - | - | - | (10) | - | (10) |
| Issuance of shares by a subsidiary to minority shareholders | - | - | - | - | - | - | 640 | 640 |
| Dividends to minority interest | - | - | - | - | - | - | (807) | (807) |
| At 30 December 2007 | 212,600 | 32,209 | (2,353) | 272 | (19,813) | 222,915 | 38,935 | 261,850 |

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)
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**UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2007**

| | 12 months Ended 31/12/2007 RM'000 | 12 months Ended 31/12/2006 RM'000 |
|---|--|--|
| <u>Cash flows from operating activities</u> | | |
| Profit/(Loss) before tax | (4,834) | 549 |
| Adjustments for : | | |
| - Non-cash items | 8,879 | (999) |
| - Non-operating items | 3,109 | 4,181 |
| Operating profit before changes in working capital | <u>7,154</u> | <u>3,731</u> |
| Changes in working capital | <u>(10,273)</u> | <u>(749)</u> |
| Cash generate from/(used in) operations | (3,119) | 2,982 |
| Income taxes refund | 272 | 2,660 |
| Interest paid | (5,530) | (4,679) |
| Net cash generate from/(used in) operating activities | <u>(8,377)</u> | <u>963</u> |
| <u>Cash flows from investing activities</u> | | |
| - Proceeds from disposal of property, plant and equipment | 138 | 260 |
| - Acquisition of property, plant and equipment | (74,559) | (37,185) |
| - Acquisition of subsidiaries, net of cash acquired | (37) | (122) |
| - Prepayment of lease term | (11,208) | (89) |
| - Dividends received | 4,200 | - |
| - Proceeds from disposal of an associate | 24,315 | - |
| - Interest received | 2,421 | 498 |
| Net cash used in investing activities | <u>(54,730)</u> | <u>(36,638)</u> |
| <u>Cash flows from financing activities</u> | | |
| - Net proceeds from issue of shares | 118,952 | - |
| - Proceeds from exercise of warrants | 823 | - |
| - Proceeds from issuing of equity shares in a subsidiary to minority shareholders | 640 | - |
| - Proceeds from bank borrowings | 66,616 | 56,229 |
| - Repayments of bank borrowings | (26,987) | (30,003) |
| - Dividends paid to minority shareholders | (603) | (893) |
| - Payment of hire purchase liabilities | (211) | (237) |
| Net cash from financing activities | <u>159,230</u> | <u>25,096</u> |
| Effects of exchange rate changes | 865 | 79 |
| Net increase in cash and cash equivalents | <u>96,988</u> | <u>(10,500)</u> |
| Cash and cash equivalents at beginning of period | 19,318 | 29,818 |
| Cash and cash equivalents at end of period | <u>116,306</u> | <u>19,318</u> |



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

| | 12 months Ended 31/12/2007 RM'000 | 12 months Ended 31/12/2006 RM'000 |
|-------------------------------------|--|--|
| Cash and bank balances | 26,598 | 7,347 |
| Deposits placed with licensed banks | 91,234 | 14,849 |
| Bank overdrafts | (1,526) | (2,878) |
| | <u>116,306</u> | <u>19,318</u> |

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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.



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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 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 119₂₀₀₄ 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 cumulative quarter ended 31 December 2007.



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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 2007.

7. Dividends Paid

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

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2007 are as follows:-

| | Water | Wastewater | Trading Services | Others | Inter-segment Elimination | Total |
|---|---------------|-------------------|-------------------------|---------------|----------------------------------|----------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | | |
| External | 91,366 | 36,389 | 6,845 | - | - | 134,600 |
| Inter segment | - | - | - | 530 | (530) | - |
| | <u>91,366</u> | <u>36,389</u> | <u>6,845</u> | <u>530</u> | <u>(530)</u> | <u>134,600</u> |
| Results | | | | | | |
| Profit/(Loss) from operations | 7,108 | 3,261 | 301 | (65) | - | 10,605 |
| Share of profit after tax of jointly controlled entity | (47) | - | - | - | - | (47) |
| Share of profit after tax and minority interest of associates | 4,151 | - | - | 1,048 | - | 5,199 |
| | <u>11,212</u> | <u>3,261</u> | <u>301</u> | <u>983</u> | <u>-</u> | <u>15,757</u> |
| Unallocated corporate expense | | | | | | (10,529) |
| Loss on disposal of associates companies | | | | | | (6,953) |
| Net financing costs | | | | | | (3,109) |
| Loss before taxation | | | | | | <u>(4,834)</u> |

9. Valuations of Property, Plant and Equipment

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



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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 2008 (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 change in the composition of the Group during the 12 month period ended 31 December 2007 was as follows:-

- (i) Salcon Berhad had on 8 June 2007, incorporated a wholly-owned subsidiary, Salcon Fujian (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.
- (ii) Salcon Berhad had on 12 September 2007, incorporated a wholly-owned subsidiary, Salcon Water International Pte. Ltd., a company incorporated in Singapore with a paid up capital of S\$1.00 divided into 1 share of S\$1.00 each. This change had no material impact on the earnings and net assets of the Group for the cumulative quarter.
- (iii) Salcon (Perak) Sdn. Bhd. ("SPSB"), a 60% subsidiary of Salcon Engineering Berhad ("SEB"), which is a wholly-owned subsidiary of Salcon Berhad, had on 18 December 2007 issued 5 new ordinary shares of RM1.00 each in the capital of SPSB to the following parties ("Shares Issuance"):-

Allottees No. of Ordinary Shares

Pembinaan Punca Cergas Sdn Bhd - 2
Dwitasik Construction Sdn Bhd - 3

Following the Shares Issuance, the shareholding of SEB in SPSB has been diluted to 40% and as such, SPSB shall cease to be a subsidiary of SEB.

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 20 February 2008 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) are as follows:-

| | Increase/ (Decrease) RM'000 |
|---|--|
| Bank guarantees given to third parties relating to performance, tenders and advance payment bonds | <u>55,799</u> |



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13. Net assets (NA) per share

The NA per share is derived as follows:-

| | RM'000 |
|--------------------|----------------|
| Shareholders funds | 222,915 |
| No. of shares | <u>425,200</u> |
| NA per share (RM) | <u>0.52</u> |

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

1. Taxation

| | Current Quarter Ended 31/12/07 RM'000 | Cumulative Quarter To-date 31/12/07 RM'000 |
|----------------------------|---|--|
| Malaysian - current period | 1,345 | 3,000 |
| - prior years | 26 | 26 |
| - tax credit recognised | (1,066) | (2,314) |
| - deferred tax | 261 | 261 |
| Overseas - current period | 358 | 358 |
| | <u>924</u> | <u>1,331</u> |

The Group's disproportionate effective tax rate (excluding the results of associates and jointly controlled entity which are equity accounted net of tax) is mainly due to the group relief provision under s 44A of the ITA1967 which has not been fully affected.

For the current and cumulative quarter, the Group has recognized tax credit imputed to the holding company based on dividends paid by subsidiaries.

2. Sale of Unquoted Investments and/or Properties

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

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 31 December 2007.

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 above-mentioned corporate exercise was completed and the shares were granted listing and quotation on the Main Board of Bursa Malaysia Securities Berhad on 23 May 2007.

The status of the utilisation of the proceeds as at 20 February 2008 is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended Timeframe for Utilisation RM'000 | Deviation RM'000 % | | Explanation |
|--|--------------------------------|------------------------------|--|-----------------------|------------|---------------------------------------|
| Working capital for the Sabah sewage system project | 20,000 | (16,131) | 24 months | 3,869 | 19% | Advance payment received from client |
| To finance the proposed acquisition of 74.165% of the share capital of Oriental Capital Assurance Berhad | 35,000 | (12,981) | 24 months | 22,019 | 63% | The acquisition is still in progress |
| General working capital for Salcon Berhad and its subsidiaries | 44,978 | (2,348) | 24 months | 42,630 | 95% | Advance payment received from clients |
| Repayment of bank borrowings | 19,000 | (19,000) | 3 months | - | - | - |
| Estimated expenses relating to the Rights Issue with Warrants | 1,888 | (1,913) | 3 months | (25) | 0% | Not material |
| Total | 120,866 | (52,373) | | 68,493 | 56% | - |

- ii) On 24 October 2007, the shareholders of Salcon Berhad have approved the following ordinary resolution at the Extraordinary General Meeting :
- (a) proposed acquisition of 74.165% of Oriental Capital Assurance Berhad (“Oriental”) for a total cash consideration of RM129,805,536; and
 - (b) proposed mandatory general offer for the remaining ordinary shares of RM1.00 each in Oriental which are not already owned by it for a cash consideration of RM1.75 for each share.
- (iii) The Proposed Private Placement as announced by Salcon Berhad on 21 December 2007 has been completed. A total of 42,520,000 new ordinary shares of RM0.50 each has been placed at RM1.09 per share and the shares were granted listing and quotation on the Main Board of Bursa Malaysia Securities Berhad on 19 February 2008.

The status of the utilisation of the proceeds as at 20 February 2008 is as follows: (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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| Purpose | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Intended Timeframe for Utilisation RM'000 | Deviation | | Explanation |
|--|--------------------------------|------------------------------|---|-----------|----------|-------------|
| | | | | RM'000 | % | |
| Working capital for Nan An project | 35,000 | - | 6 months | - | - | - |
| Repayment of bank borrowings | 10,000 | - | 1 month | - | - | - |
| General working capital for Salcon Berhad and its subsidiaries | 1,047 | - | 3 months | - | - | - |
| Estimated expenses relating to the Proposed Private Placement | 300 | - | 2 months | - | - | - |
| Total | 46,347 | - | | - | - | - |

5. Group Borrowings and Debt Securities

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

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-------------------------------|---------------------|-----------------------|-----------------------|
| <u>Long Term Borrowings</u> | | | |
| Term loan | - | 122,315 | 122,315 |
| Hire purchase liabilities | 906 | - | 906 |
| | <u>906</u> | <u>122,315</u> | <u>123,221</u> |
| <u>Short Term Borrowings</u> | | | |
| Bank overdrafts | - | 1,526 | 1,526 |
| Revolving credits | - | - | - |
| Bankers acceptances | - | 2,993 | 2,993 |
| Term loan | - | 17,521 | 17,521 |
| Hire purchase liabilities | 692 | - | 692 |
| | <u>692</u> | <u>22,040</u> | <u>22,732</u> |
| Total Group Borrowings | <u>1,598</u> | <u>144,355</u> | <u>145,953</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) | 150,334 | 68,055 |
| Short Term Borrowings (Unsecured) | <u>13,212</u> | <u>5,981</u> |

6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 20 February 2008 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).



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7. Changes in Material Litigation

There was no material update as at 20 February 2008 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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 loss before tax was higher by 112% and 1,498% respectively as compared with the immediate preceding quarter. The higher loss during the current quarter was attributable to the disposal of an associate.

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

For the current financial quarter, the Group achieved revenues of RM53.62 million compared to RM22.60 million for the same period in the preceding year, an increase of 137% due to commencement of new projects. Loss before taxation however increased to RM6.15 million from RM0.78 million for the same period in the preceding year due to loss on the disposal of an associate, bad debts written off and impairment in investments.

Revenue for the year under review was RM134.60 million as compared to RM121.29 million for the same period in the preceding year, an increase of 11%. But, the Group incurred a loss before taxation of RM4.83 million from marginal profit of RM0.55 million for the same period in the preceding year. This adverse result was largely due to reasons as stated in the preceding paragraph and the management viewed the events as non-recurring.

10. Prospects

With the higher construction order book and improving profit contributions from China concessions, the Group expects the next financial year's result will improve significantly barring any unforeseen circumstances.

11. Variance of Profit Forecast / Profit Guarantee

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

12. Proposed Dividend

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



SALCON BERHAD (Company No: 593796-T)
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Basic earning per share

| | Current Quarter Ended 31/12/07 | Comparative Quarter Ended 31/12/06 | Cumulative Quarter To-date | |
|--|---|---|----------------------------------|----------------|
| | | | 31/12/07 | 31/12/06 |
| Profit attributable to equity holders of the parent (RM'000) | <u>(7,513)</u> | <u>4,816</u> | <u>(7,532)</u> | <u>4,327</u> |
| <u>Weighted average number of ordinary shares</u> | | | | |
| 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>213,156</u> | <u>-</u> | <u>130,117</u> | <u>-</u> |
| Weighted average number of ordinary shares ('000) | <u>425,201</u> | <u>212,045</u> | <u>342,162</u> | <u>212,045</u> |
| Basic earning per share (sen) | (1.767) * | 2.271 * | (2.201) * | 2.041 * |

* Note: Antidilutive

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 2008.

ON BEHALF OF THE BOARD

JAGGIT SINGH
Executive Director

Selangor Darul Ehsan
27 February 2008