



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008**

	30-06-08 RM'000	31-12-07 RM'000
Assets		
Property, plant and equipment	188,657	181,057
Intangible assets	10,969	10,969
Prepaid lease payments	33,064	32,328
Investment property	4,682	2,068
Investment in associates	36,357	35,148
Other investments	3,586	3,586
Deferred tax assets	6,160	6,159
Total non-current assets	<u>283,475</u>	<u>271,315</u>
Receivables, deposits and prepayments	147,413	108,770
Inventories	2,913	1,650
Current tax assets	873	879
Cash and cash equivalents	163,887	117,832
Total current assets	<u>315,086</u>	<u>229,131</u>
Total assets	<u>598,561</u>	<u>500,446</u>
Equity		
Share capital	233,860	212,600
Reserves	60,586	30,917
Accumulated losses	(14,651)	(20,122)
Total equity attributable to shareholders of the Company	<u>279,795</u>	<u>223,395</u>
Minority interests	<u>38,902</u>	<u>38,142</u>
Total equity	<u>318,697</u>	<u>261,537</u>
Liabilities		
Loans and borrowings	132,819	124,189
Total non-current liabilities	<u>132,819</u>	<u>124,189</u>
Payables and accruals	135,412	91,955
Loans and borrowings	10,941	21,764
Current tax liabilities	488	592
Dividend payable	204	409
Total current liabilities	<u>147,045</u>	<u>114,720</u>
Total liabilities	<u>279,864</u>	<u>238,909</u>
Total equity and liabilities	<u>598,561</u>	<u>500,446</u>
Net assets per share (RM)	0.60	0.53

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND/CUMULATIVE QUARTER ENDED 30 JUNE 2008**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	RM'000	RM'000	RM'000	RM'000
Revenue	61,941	28,284	107,244	55,718
Cost of sales	(47,398)	(21,012)	(82,062)	(40,378)
Gross Profit	14,543	7,272	25,182	15,340
Other income	276	(57)	2,750	344
Distribution costs	(879)	(626)	(1,781)	(1,255)
Administrative expenses	(8,531)	(6,515)	(17,498)	(13,448)
Profit from operations	5,409	74	8,653	981
Interest expense	(2,320)	(1,466)	(4,493)	(2,943)
Interest income	1,311	243	2,365	563
Share of profit after tax and minority interest of associates	538	2,071	1,209	3,102
Profit before tax	4,938	922	7,734	1,703
Taxation	(871)	(525)	(1,208)	(1,032)
Profit for the period	4,067	397	6,526	671
Attributable to:				
Equity holders of the parent	3,679	30	5,472	188
Minority interests	388	367	1,054	483
Profit for the period	4,067	397	6,526	671
Basic earnings per ordinary share (sen)	0.787	0.010	1.201	0.073
Diluted earnings per ordinary share (sen)	-	0.008	-	0.064

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2008**

	← 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 exchange translation differences	-	-	(1,437)	-	-	(1,437)	(895)	(2,332)
Revaluation of property, plant and equipment	-	-	-	152	-	152	102	254
Net gains recognised directly in equity	-	-	(1,437)	152	-	(1,285)	(793)	(2,078)
Loss for the year	-	-	-	-	(7,841)	(7,841)	1,367	(6,474)
Total recognised income and expense for the year	-	-	(1,437)	152	(7,841)	(9,126)	574	(8,552)
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	-	(11)	-	-	-	(11)	-	(11)
Issuance of shares by a subsidiary to minority shareholders	-	-	-	-	-	-	640	640
Dividends to minority interests	-	-	-	-	-	-	(807)	(807)
At 31 December 2007	212,600	32,208	(1,461)	170	(20,122)	223,395	38,142	261,537



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2008 (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 2008	212,600	32,208	(1,461)	170	(20,122)	223,395	38,142	261,537
Foreign exchange translation differences	-	-	4,659	-	-	4,659	-	4,659
Net gains recognised directly in equity	-	-	4,659	-	-	4,659	-	4,659
Profit for the period	-	-	-	-	5,472	5,472	1,054	6,526
Total recognised income and expense for the period	-	-	4,659	-	5,472	10,131	1,054	11,185
Issuance of shares								
- private placement	21,260	25,087	-	-	-	46,347	-	46,347
Private placement expenses	-	(78)	-	-	-	(78)	-	(78)
Dividends to minority interest	-	-	-	-	-	-	(294)	(294)
At 30 June 2008	233,860	57,217	3,198	170	(14,650)	279,795	38,902	318,697

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2008**

	6 months Ended 30/06/2008 RM'000	6 months Ended 6/30/2007 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	7,734	1,703
Adjustments for :		
- Non-cash items	2,369	(263)
- Non-operating items	2,128	2,380
Operating profit before changes in working capital	<u>12,231</u>	<u>3,820</u>
Changes in working capital	802	6,656
Cash generate from operations	<u>13,033</u>	10,476
Income taxes paid	(1,306)	1,292
Interest paid	(4,493)	(2,943)
Net cash generate from operating activities	<u>7,234</u>	<u>8,825</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	6,401	74
- Acquisition of property, plant and equipment	(7,211)	(28,163)
- Prepayment of lease term	(234)	(93)
- Interest received	2,365	563
Net cash generated from/(used in) investing activities	<u>1,321</u>	<u>(27,619)</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares	46,269	119,014
- Proceeds from exercise of warrants	-	833
- Proceeds from issuing of equity shares in a subsidiary to minority shareholders	-	640
- Proceeds from bank borrowings	13,456	23,529
- Repayments of bank borrowings	(21,251)	(23,778)
- Dividends paid to minority shareholders	(498)	(309)
- Payment of hire purchase liabilities	(261)	(68)
Net cash from financing activities	<u>37,715</u>	<u>119,861</u>
Effects of exchange rate changes	(1,217)	1,389
Net increase in cash and cash equivalents	<u>45,053</u>	<u>102,456</u>
Cash and cash equivalents at beginning of period	<u>116,306</u>	<u>19,318</u>
Cash and cash equivalents at end of period	<u>161,359</u>	<u>121,774</u>



SALCON BERHAD (Company No: 593796-T)

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

	6 months Ended 30/06/2008 RM'000	6 months Ended 30/06/2007 RM'000
Cash and bank balances	45,153	12,917
Deposits placed with licensed banks	118,734	109,210
Bank overdrafts	(2,528)	(353)
	<u>161,359</u>	<u>121,774</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 2007 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2008

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 2007 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 2007.

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 2007.

2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements for the year ended 31 December 2007 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 30 June 2008.

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 30 June 2008.



7. Dividends Paid

There were no dividend paid for the cumulative quarter ended 30 June 2008.

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 June 2008 are as follows:-

	Construction	Concessions	Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	68,012	35,760	3,472	-	107,244
Inter segment	-	-	265	(265)	-
	<u>68,012</u>	<u>35,760</u>	<u>3,737</u>	<u>(265)</u>	<u>107,244</u>
Results					
Profit from operations	8,386	5,787	305	-	14,478
Share of profit after tax and minority interest of associates	-	1,209	-	-	1,209
	<u>8,386</u>	<u>6,996</u>	<u>305</u>	<u>-</u>	<u>15,687</u>
Unallocated corporate expense					(5,825)
Net financing costs					(2,128)
Profit before taxation					<u>7,734</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 2008. The valuation of land and buildings have been brought forward without amendment from the previous annual audited report.

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

There were no material events subsequent to the end of the interim period up to 21 August 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 changes in the composition of the Group during the 6 month period ended 30 June 2008 was as follows:-

- (i) Salcon Berhad had on 16 April 2008 acquired 100% of the issued and paid-up share capital of Salcon Shandong (HK) Limited comprising 1 ordinary share of HK\$1.00 each for a nominal consideration of HK\$1.00. The acquisition had no material impact on the earnings and assets of the Group for the cumulative quarter.



- (ii) Salcon Berhad had on 18 April 2008, incorporated Nan An Salcon Water Company Limited (“Nan An Salcon”), a company incorporated in The People’s Republic of China. The proposed registered capital for Nan An Salcon is RMB100 million (approximately RM44.80 million) and will be subscribed by Salcon Fujian (HK) Limited and Nan An City Trading Industry & Agriculture Investment Co. Ltd on a 65:35 basis. This change had no material impact on the earnings and assets of the Group for the cumulative quarter.

- (iii) Salcon Berhad had on 12 June 2008, incorporated a wholly-owned subsidiary, Changle Salcon Raw Water Company Limited (“CSRW”), a company incorporated in The People’s Republic of China. The proposed registered capital for CSRW is USD6.32 million (approximately RM19.85 million) and will be subscribed by Salcon Shandong (HK) Limited. This change had no material impact on the earnings and 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 2007 to 21 August 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>43,422</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	279,795
No. of shares	<u>467,720</u>
NA per share (RM)	<u>0.60</u>



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

1. Taxation

	Current Quarter Ended 30-06-08 RM'000	Cumulative Quarter To-date 30-06-08 RM'000
Malaysian - current period	796	1,133
Overseas - current period	<u>75</u>	<u>75</u>
	<u>871</u>	<u>1,208</u>

The Group's lower effective tax rate (excluding the results of associates which is equity accounted net of tax) is mainly due to certain overseas income is exempted from tax.

2. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the cumulative quarter ended 30 June 2008.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 30 June 2008.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



SALCON BERHAD (Company No: 593796-T)

4. Status of Corporate Proposals

- i) The Renounceable Rights Issue 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 21 August 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).

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation		Explanation
				RM'000	%	
Working capital for the Sabah sewage system project	20,000	(16,131)	24 months	Nil	Nil	Not applicable
To finance the proposed acquisition of 74.165% of the share capital of Oriental Capital Assurance Berhad	35,000	(12,981)	24 months	Nil	Nil	Not applicable
General working capital for Salcon Berhad and its subsidiaries	44,978	(2,348)	24 months	Nil	Nil	Not applicable
Repayment of bank borrowings	19,000	(19,000)	3 months	Nil	Nil	Completed
Estimated expenses relating to the Rights Issue with Warrants	1,888	(1,913)	3 months	(25)	0%	Not material
Total	120,866	(52,373)		(25)	0%	



SALCON BERHAD (Company No: 593796-T)

- ii) The Private Placement was completed 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 21 August 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).

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation RM'000	%	Explanation
Working capital for Nan An project	35,000	(23,324)	6 months	Nil	Nil	Not applicable
Repayment of bank borrowings	10,000	(10,000)	1 month	Nil	Nil	Completed
General working capital for Salcon Berhad and its subsidiaries	1,047	-	3 months	Nil	Nil	In progress
Estimated expenses relating to the Proposed Private Placement	300	(78)	2 months	Nil	Nil	Payment in progress
Total	46,347	(33,402)		-	-	-

5. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2008 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	8,490	122,572	131,062
Hire purchase liabilities	1,757	-	1,757
	<u>10,247</u>	<u>122,572</u>	<u>132,819</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	2,528	2,528
Bankers acceptances	-	2,003	2,003
Term loan	1,540	4,305	5,845
Hire purchase liabilities	565	-	565
	<u>2,105</u>	<u>8,836</u>	<u>10,941</u>
Total Group Borrowings	<u>12,352</u>	<u>131,408</u>	<u>143,760</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)	162,833	77,573
Short Term Borrowings (Unsecured)	<u>9,037</u>	<u>4,305</u>



6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 21 August 2008 (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

There was no material update as at 21 August 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 profit before tax was higher by 37% and 77% respectively as compared with the immediate preceding quarter. The higher revenue and profit before tax was attributable to contribution from new projects.

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

For the current financial quarter, the Group earned a much higher revenue totalling RM61.94 million compared to RM28.28 million for the same period in the preceding year which represent an increase of 119%. This improvement is largely attributable to contribution from new projects. Accordingly, profit before taxation increased to RM4.94 million from RM0.92 million representing an increase of 436% for the same period in the preceding year.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM107.24 million and RM7.73 million respectively. Group revenue and pre-tax profit were higher by 92% and 354% respectively as compared to the corresponding quarter in the preceding year primarily due to higher recognition of construction income particularly from various new water and wastewater projects.

10. Prospects

With a much stronger order book in hand and profit contributions from China concessions, the Group expects the current financial year's result to improve 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 30 June 2008.



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 earnings per share

	Current Quarter Ended 30-06-08	Comparative Quarter Ended 30-06-07	Cumulative Quarter To-date 30-06-08	Cumulative Quarter To-date 30-06-07
Profit attributable to equity holders of the parent (RM'000)	<u>3,679</u>	<u>30</u>	<u>5,472</u>	<u>188</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	<u>425,201</u>	<u>212,045</u>	<u>425,201</u>	<u>212,045</u>
Effect of shares issued during the period ('000)	<u>42,520</u>	<u>90,914</u>	<u>30,605</u>	<u>45,708</u>
Weighted average number of ordinary shares ('000)	<u>467,721</u>	<u>302,959</u>	<u>455,806</u>	<u>257,753</u>
Basic earnings per share (sen)	0.787 *	0.010 *	1.201 *	0.073 *

* 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 28 August 2008.

ON BEHALF OF THE BOARD

JAGGIT SINGH
Executive Director

Selangor Darul Ehsan
28 August 2008