



SALCON BERHAD (Company No: 593796-T)

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

	30/09/2008 RM'000	31/12/2007 RM'000
Assets		
Property, plant and equipment	198,706	181,057
Intangible assets	10,969	10,969
Prepaid lease payments	34,218	32,328
Investment property	7,303	2,068
Investment in associates	37,014	35,148
Other investments	2,586	3,586
Deferred tax assets	6,159	6,159
Total non-current assets	<u>296,955</u>	<u>271,315</u>
Receivables, deposits and prepayments	170,136	108,770
Inventories	3,634	1,650
Current tax assets	1,002	879
Cash and cash equivalents	174,860	117,832
Total current assets	<u>349,632</u>	<u>229,131</u>
Total assets	<u>646,587</u>	<u>500,446</u>
Equity		
Share capital	233,860	212,600
Reserves	67,236	30,917
Accumulated losses	(12,797)	(20,122)
Total equity attributable to shareholders of the Company	<u>288,299</u>	<u>223,395</u>
Minority interests	<u>39,736</u>	<u>38,142</u>
Total equity	<u>328,035</u>	<u>261,537</u>
Liabilities		
Loans and borrowings	98,545	124,189
Total non-current liabilities	<u>98,545</u>	<u>124,189</u>
Payables and accruals	159,171	91,955
Loans and borrowings	60,103	21,764
Current tax liabilities	733	592
Dividend payable	0	409
Total current liabilities	<u>220,007</u>	<u>114,720</u>
Total liabilities	<u>318,552</u>	<u>238,909</u>
Total equity and liabilities	<u>646,587</u>	<u>500,446</u>
Net assets per share (RM)	0.62	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.



**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THIRD/CUMULATIVE QUARTER ENDED 30 SEPTEMBER 2008**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	30/09/2008 RM'000	30/09/2007 RM'000	30/09/2008 RM'000	30/09/2007 RM'000
Revenue	64,537	25,263	171,781	80,981
Cost of sales	(49,856)	(20,084)	(131,918)	(60,462)
Gross Profit	14,681	5,179	39,863	20,519
Other income	929	189	3,679	533
Other expenses	(1,000)	-	(1,000)	-
Distribution costs	(962)	(672)	(2,743)	(1,927)
Administrative expenses	(9,139)	(6,814)	(26,637)	(20,262)
Profit/(Loss) from operations	4,509	(2,118)	13,162	(1,137)
Interest expense	(2,368)	(1,206)	(6,861)	(4,149)
Interest income	814	1,074	3,179	1,637
Share of profit after tax of jointly controlled entity	-	746	-	746
Share of profit after tax and minority interest of associates	657	1,119	1,866	4,221
Profit/(Loss) before tax	3,612	(385)	11,346	1,318
Taxation	(925)	625	(2,133)	(407)
Profit for the period	2,687	240	9,213	911
Attributable to:				
Equity holders of the parent	1,853	(207)	7,325	(19)
Minority interests	834	447	1,888	930
Profit for the period	2,687	240	9,213	911
Basic earnings per ordinary share (sen)	0.396	0.049	1.594	(0.006)
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 2007 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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



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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	11,310	-	-	11,310	-	11,310
Net gains recognised directly in equity	-	-	11,310	-	-	11,310	-	11,310
Profit for the period	-	-	-	-	7,325	7,325	1,888	9,213
Total recognised income and expense for the period	-	-	11,310	-	7,325	18,635	1,888	20,523
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 September 2008	233,860	57,217	9,849	170	(12,797)	288,299	39,736	328,035

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 THIRD QUARTER ENDED 30 SEPTEMBER 2008**

	9 months Ended 30/09/2008 RM'000	9 months Ended 30/09/2007 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	11,346	1,318
Adjustments for :		
- Non-cash items	5,909	(332)
- Non-operating items	3,682	2,512
Operating profit before changes in working capital	<u>20,937</u>	<u>3,498</u>
Changes in working capital	<u>(1,264)</u>	<u>(21,570)</u>
Cash generate from operations	19,673	(18,072)
Income taxes refund/ (paid)	(2,115)	440
Interest paid	(6,861)	(4,149)
Net cash generate from/(used in) operating activities	<u>10,697</u>	<u>(21,781)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	6,896	73
- Acquisition of property, plant and equipment	(9,499)	(46,503)
- Acquisition of subsidiaries, net of cash acquired	-	(37)
- Prepayment of lease term	(417)	(103)
- Interest received	3,179	1,637
Net cash generated from/(used in) investing activities	<u>159</u>	<u>(44,933)</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares	46,269	118,960
- Proceeds from exercise of warrants	-	823
- Proceeds from issuing of equity shares in a subsidiary to minority shareholders	-	640
- Proceeds from bank borrowings	25,648	40,249
- Repayments of bank borrowings	(23,376)	(26,202)
- Dividends paid to minority shareholders	(703)	(309)
- Payment of hire purchase liabilities	(420)	(142)
Net cash from financing activities	<u>47,418</u>	<u>134,019</u>
Effects of exchange rate changes	<u>(1,897)</u>	<u>867</u>
Net increase in cash and cash equivalents	56,377	68,172
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>172,683</u>	<u>87,490</u>



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

	9 months Ended 30/09/2008 RM'000	9 months Ended 30/09/2007 RM'000
Cash and bank balances	63,074	8,192
Deposits placed with licensed banks	111,786	80,330
Bank overdrafts	(2,177)	(1,032)
	<u>172,683</u>	<u>87,490</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 2007 and the accompanying explanatory notes attached to the interim financial statements.



NOTES TO THE INTERIM FINANCIAL REPORT FOR THE CUMULATIVE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2008.



7. Dividends Paid

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

8. Segmental Reporting

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

	Construction	Concessions	Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	108,663	58,352	4,766	-	171,781
Inter segment	-	-	397	(397)	-
	<u>108,663</u>	<u>58,352</u>	<u>5,163</u>	<u>(397)</u>	<u>171,781</u>
Results					
Profit from operations	10,354	9,993	344	-	20,691
Share of profit after tax and minority interest of associates	-	1,866	-	-	1,866
	<u>10,354</u>	<u>11,859</u>	<u>344</u>	<u>-</u>	<u>22,557</u>
Unallocated corporate expense					(7,529)
Net financing costs					(3,682)
Profit before taxation					<u><u>11,346</u></u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 September 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 20 November 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 9 month period ended 30 September 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.
- (iv) Salcon Berhad had on 24 July 2008 acquired 100% of the issued and paid-up share capital of Salcon Services (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.
- (v) Salcon Holdings (Mauritius) Limited (“SHM”) was incorporated in Mauritius on 19 September 2008. The paid up capital of SHM is USD2.00, and is wholly-owned by Salcon Engineering Berhad, a wholly owned subsidiary of Salcon Berhad. 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 20 November 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>57,527</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	288,299
No. of shares	<u>467,720</u>
NA per share (RM)	<u>0.62</u>



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

1. Taxation

	Current Quarter Ended 30-09-08 RM'000	Cumulative Quarter To-date 30-09-08 RM'000
Malaysian - current period	871	2,004
Overseas - current period	<u>54</u>	<u>129</u>
	<u>925</u>	<u>2,133</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 September 2008.

3. Purchase or Disposal of Quoted Investments

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

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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 20 November 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%	



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- 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 20 November 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	(31,012)	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	(41,090)		-	-	-

5. Group Borrowings and Debt Securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	8,105	88,309	96,414
Hire purchase liabilities	2,131	-	2,131
	<u>10,236</u>	<u>88,309</u>	<u>98,545</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	2,177	2,177
Bankers acceptances	-	2,849	2,849
Term loan	1,540	52,869	54,409
Hire purchase liabilities	668	-	668
	<u>2,208</u>	<u>57,895</u>	<u>60,103</u>
Total Group Borrowings	<u>12,444</u>	<u>146,204</u>	<u>158,648</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)	174,834	88,309
Short Term Borrowings (Unsecured)	<u>7,537</u>	<u>3,807</u>



6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 20 November 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 20 November 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 was slightly higher but profit before tax was lower by 27% as compared with the immediate preceding quarter. The lower profit before tax was attributable to a decrease in interest income and higher administrative expenses.

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

For the current financial quarter, the Group earned a much higher revenue totalling RM64.54 million compared to RM25.26 million for the same period in the preceding year which represent an increase of 155%. This improvement is largely attributable to contribution from new construction projects as well as concession income from China. Accordingly, the group recorded profit before taxation of RM3.61 million as compared to loss before tax of RM0.38 million.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM171.78 million and RM11.35 million respectively. Group revenue and pre-tax profit were higher by 112% and 761% respectively as compared to the corresponding quarter in the preceding year.

10. Prospects

With a much stronger order book in hand and improved 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 September 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 9/30/2008	Comparative Quarter Ended 9/30/2007	Cumulative Quarter To-date	
			9/30/2008	9/30/2007
Profit attributable to equity holders of the parent (RM'000)	<u>1,853</u>	<u>(207)</u>	<u>7,325</u>	<u>(19)</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>213,156</u>	<u>34,295</u>	<u>100,576</u>
Weighted average number of ordinary shares ('000)	<u>467,721</u>	<u>425,201</u>	<u>459,496</u>	<u>312,621</u>
Basic earnings per share (sen)	0.396 *	(0.049) *	1.594 *	(0.006) *

* 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 November 2008.

ON BEHALF OF THE BOARD

JAGGIT SINGH
Executive Director

Selangor Darul Ehsan
27 November 2008