



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2008**

	31/12/2008 RM'000	31/12/2007 RM'000
Assets		
Property, plant and equipment	189,630	181,057
Intangible assets	13,854	10,969
Prepaid lease payments	29,047	32,328
Investment property	4,676	2,068
Investment in associates	29,541	35,148
Other investments	2,086	3,586
Deferred tax assets	4,921	6,159
Total non-current assets	<u>273,755</u>	<u>271,315</u>
Receivables, deposits and prepayments	219,196	108,770
Assets held for sale	7,500	-
Inventories	1,752	1,650
Current tax assets	354	879
Cash and cash equivalents	185,622	117,832
Total current assets	<u>414,424</u>	<u>229,131</u>
Total assets	<u><u>688,179</u></u>	<u><u>500,446</u></u>
Equity		
Share capital	233,860	212,600
Reserves	67,723	30,917
Accumulated losses	(11,334)	(20,122)
Total equity attributable to shareholders of the Company	<u>290,249</u>	<u>223,395</u>
Minority interests	57,941	38,142
Total equity	<u>348,190</u>	<u>261,537</u>
Liabilities		
Loans and borrowings	89,315	124,189
Total non-current liabilities	<u>89,315</u>	<u>124,189</u>
Payables and accruals	175,302	91,955
Loans and borrowings	74,844	21,764
Current tax liabilities	318	592
Dividend payable	210	409
Total current liabilities	<u>250,674</u>	<u>114,720</u>
Total liabilities	<u>339,989</u>	<u>238,909</u>
Total equity and liabilities	<u><u>688,179</u></u>	<u><u>500,446</u></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 FOURTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2008**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/12/2008 RM'000	31/12/2007 RM'000	31/12/2008 RM'000	31/12/2007 RM'000
Revenue	81,039	53,619	252,820	134,600
Cost of sales	(65,142)	(37,741)	(197,060)	(98,203)
Gross Profit	15,897	15,878	55,760	36,397
Other income	2,821	894	6,500	1,427
Other expenses	(3,660)	(7,491)	(4,660)	(7,491)
Distribution costs	(1,231)	(681)	(3,974)	(2,608)
Administrative expenses	(8,661)	(7,691)	(35,298)	(27,953)
Loss on disposal of an associate	-	(6,953)	-	(6,953)
Profit/(Loss) from operations	5,166	(6,044)	18,328	(7,181)
Interest expense	(2,651)	(1,381)	(9,512)	(5,530)
Interest income	1,252	784	4,431	2,421
Share of profit after tax of jointly controlled entity	-	(793)	-	(47)
Share of profit after tax and minority interest of associates	888	978	2,754	5,199
Profit/(Loss) before tax	4,655	(6,456)	16,001	(5,138)
Taxation	(2,007)	(929)	(4,140)	(1,336)
Profit/(Loss) for the period	2,648	(7,385)	11,861	(6,474)
Attributable to:				
Equity holders of the parent	1,463	(7,822)	8,788	(7,841)
Minority interests	1,185	437	3,073	1,367
Profit/(Loss) for the period	2,648	(7,385)	11,861	(6,474)
Basic earnings per ordinary share (sen)	0.313	(1.840)	1.904	(2.292)
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 FOURTH QUARTER ENDED 31 DECEMBER 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



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	10,428	-	-	10,428	4,780	15,208
Net gains recognised directly in equity	-	-	10,428	-	-	10,428	4,780	15,208
Profit for the period	-	-	-	-	8,788	8,788	3,073	11,861
Total recognised income and expense for the period	-	-	10,428	-	8,788	19,216	7,853	27,069
Acquisition of subsidiary	-	-	-	-	-	-	17,038	17,038
Realisation of reserves on disposal of subsidiary	-	-	1,369	-	-	1,369	(4,333)	(2,964)
Issuance of shares								
- private placement	21,260	25,087	-	-	-	46,347	-	46,347
Private placement expenses	-	(78)	-	-	-	(78)	-	(78)
Dividends to minority interest	-	-	-	-	-	-	(759)	(759)
At 31 December 2008	233,860	57,217	10,336	170	(11,334)	290,249	57,941	348,190

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 FOURTH QUARTER ENDED 31 DECEMBER 2008**

	12 months Ended 31/12/2008 RM'000	12 months Ended 31/12/2007 RM'000
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax	16,001	(5,138)
Adjustments for :		
- Non-cash items	14,475	10,723
- Non-operating items	5,080	3,109
Operating profit before changes in working capital	<u>35,556</u>	<u>8,694</u>
Changes in working capital	<u>(20,113)</u>	<u>(11,747)</u>
Cash generate from operations	15,443	(3,053)
Income taxes refund/ (paid)	(2,650)	267
Interest paid	(9,512)	(5,530)
Net cash generate from/(used in) operating activities	<u>3,281</u>	<u>(8,316)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	7,109	138
- Acquisition of property, plant and equipment	(31,471)	(68,254)
- Acquisition of subsidiaries, net of cash acquired	12,464	-
- Prepayment of lease term	(401)	(17,608)
- Dividends received	8,361	4,201
- Proceeds from disposal of an associate	-	24,315
- Interest received	4,431	2,421
Net cash generated from/(used in) investing activities	<u>493</u>	<u>(54,787)</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares	46,269	118,952
- Proceeds from exercise of warrants	-	822
- Proceeds from issuing of equity shares in a subsidiary to minority shareholders	-	640
- Proceeds from bank borrowings	43,175	66,616
- Repayments of bank borrowings	(27,367)	(26,987)
- Dividends paid to minority shareholders	(958)	(602)
- Payment of hire purchase liabilities	(686)	(211)
Net cash from financing activities	<u>60,433</u>	<u>159,230</u>
Effects of exchange rate changes	<u>4,187</u>	<u>861</u>
Net increase in cash and cash equivalents	68,394	96,988
Cash and cash equivalents at beginning of period	116,306	19,318
Cash and cash equivalents at end of period	<u>184,700</u>	<u>116,306</u>



SALCON BERHAD (Company No: 593796-T)

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

	12 months Ended 31/12/2008 RM'000	12 months Ended 31/12/2007 RM'000
Cash and bank balances	55,277	26,598
Deposits placed with licensed banks	130,344	91,234
Bank overdrafts	(921)	(1,526)
	<u>184,700</u>	<u>116,306</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 FOURTH QUARTER ENDED 31 DECEMBER 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 cash flows of the Group for the cumulative quarter ended 31 December 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 31 December 2008.



7. Dividends Paid

There were no dividend paid for the cumulative quarter ended 31 December 2008.

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2008 are as follows:-

	Construction	Concessions	Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	164,358	83,358	5,104	-	252,820
Inter segment	-	-	530	(530)	-
	<u>164,358</u>	<u>83,358</u>	<u>5,634</u>	<u>(530)</u>	<u>252,820</u>
Results					
Profit from operations	17,107	14,923	(2,201)	-	29,829
Share of profit after tax and minority interest of associates	-	2,754	-	-	2,754
	<u>17,107</u>	<u>17,677</u>	<u>(2,201)</u>	-	<u>32,583</u>
Unallocated corporate expense					(11,501)
Net financing costs					(5,081)
Profit before taxation					<u>16,001</u>

9. Valuations of Property, Plant and Equipment

Subsequent to the financial year end, the Group disposed the property, plant and equipment for a total consideration of RM7.5 million. As a result, an impairment loss amounting to RM2.179 million has been recognized in the current financial year.

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 19 February 2009 (being the last practicable date which is not earlier than 7 days from the date of issue of this quarterly report), that have not been reflected in the financial statement for the interim period.

11. Effect of Changes in the Composition of the Group

The changes in the composition of the Group during the 12 month period ended 31 December 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
- (vi) Salcon Yunnan (HK) Limited, a wholly owned subsidiary of Salcon Berhad has on 6 November 2008 entered into an Equity Transfer Agreement with Kunming Water Supply Group Co. Ltd, China for the disposal of its entire 60% equity interest in Chenggong Salcon Water Co. Ltd ("CSW"), China for a cash consideration of RMB20.01 million (approximately RM10.27 million)

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 19 February 2009 (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>58,249</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	290,249
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 31/12/2008 RM'000	Cumulative Quarter To-date 31/12/2008 RM'000
Malaysian - current period	869	2,873
- prior years	(285)	(285)
- deferred tax	1,239	1,239
Overseas - current period	184	313
	<u>2,007</u>	<u>4,140</u>

The Group's higher effective tax rate for the current and cumulative quarter (excluding the results of associates which is equity accounted net of tax) is mainly due to reversal of deferred tax assets.

2. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the cumulative quarter ended 31 December 2008.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 31 December 2008.

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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 19 February 2009 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 19 February 2009 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 31 December 2008 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	7,720	79,188	86,908
Hire purchase liabilities	2,407	-	2,407
	<u>10,127</u>	<u>79,188</u>	<u>89,315</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	921	921
Bankers acceptances	-	16,361	16,361
Term loan	1,540	55,630	57,170
Hire purchase liabilities	392	-	392
	<u>1,932</u>	<u>72,912</u>	<u>74,844</u>
Total Group Borrowings	<u>12,059</u>	<u>152,100</u>	<u>164,159</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)	156,008	79,188
Short Term Borrowings (Unsecured)	<u>7,537</u>	<u>3,827</u>



6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 19 February 2009 (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 19 February 2009 (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 26% and 29% respectively as compared with the immediate preceding quarter.

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

For the current financial quarter, the Group earned a significantly higher revenue totalling RM81.04 million compared to RM53.62 million for the corresponding quarter in the preceding year which represents an increase of 51%. As such, the group recorded a profit before tax of RM4.66 million as compared to a loss before tax of RM6.46 million. This improvement is largely attributable to contributions from new construction projects as well as concession income from China.

For this financial year, the Group recorded revenue of RM252.82 million as compared to RM134.6 million in the preceding year which represent an increase of 88%. Profit before tax for this financial year is RM16 million.

10. Prospects

Water and wastewater construction related projects continue to be the main focus of the Group. As of today, the order book of the Group stands at an unprecedented RM 1.06 billion, with RM750 million balance worth of works yet to be carried out. Overseas projects contribute to about 30% of the total order book. We attribute the large order book to our ability to secure projects locally and overseas with our proven track record in engineering and efficient implementation.

The company has put much emphasis in the tenders for sewerage and Non Water Revenue (NRW) projects with potential growth prospect. The Group secured RM353 million worth of sewerage works with RM218 million on going and RM180 million of NRW work with RM145 million under implementation.

The Group had ventured and invested in water and waste water projects in China. Todate, the Group had secured 5 water and 1 wastewater projects with a total investment of RM117 million. Even at its earlier stage, the investment has contributed a net profit of RM5.1 million in this financial year. The investment strategy in China is to enable the Group to secure a sustainable income.

Despite the economic downturn, the Group continues to be optimistic with the future prospects and expects a better result for the coming financial year.



11. Variance of Profit Forecast / Profit Guarantee

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

12. Proposed Dividend

The Board of Directors intend to propose a final dividend of 2% or 1 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2008 for the approval of the shareholders at the Sixth Annual General Meeting of which it comprises of:

- (i) 0.67 sen tax exempt dividend per share; and
- (ii) 0.33 sen per share less tax of 25%

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 31/12/2008	Comparative Quarter Ended 31/12/2007	Cumulative Quarter To-date	
			31/12/2008	31/12/2007
Profit attributable to equity holders of the parent (RM'000)	<u>1,463</u>	<u>(7,822)</u>	<u>8,788</u>	<u>(7,841)</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>36,247</u>	<u>130,117</u>
Weighted average number of ordinary shares ('000)	<u>467,721</u>	<u>425,201</u>	<u>461,448</u>	<u>342,162</u>
Basic earnings per share (sen)	0.313	(1.840)	1.904	(2.292)
	*	*	*	*

* 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 26 February 2009.

ON BEHALF OF THE BOARD

DATO' SERI GOH ENG TOON
Chairman

Selangor Darul Ehsan
26 February 2009