



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2009**

| | 31/12/2009 | 31/12/2008 |
|---|------------------------------|-----------------------|
| | RM'000 | RM'000 |
| Assets | | |
| Property, plant and equipment | 221,581 | 189,626 |
| Intangible assets | 14,525 | 13,854 |
| Prepaid lease payments | 29,284 | 29,037 |
| Investment properties | 6,005 | 4,720 |
| Investment in associate | 32,128 | 29,541 |
| Other investments | 86 | 2,086 |
| Deferred tax assets | 2,441 | 4,921 |
| Total non-current assets | <u>306,050</u> | <u>273,785</u> |
| Receivables, deposits and prepayments | 297,103 | 236,138 |
| Inventories | 3,305 | 1,752 |
| Current tax assets | 91 | 354 |
| Assets classified as held for sale | - | 7,500 |
| Cash and cash equivalents | 147,484 | 185,628 |
| Total current assets | <u>447,983</u> | <u>431,372</u> |
| Total assets | <u><u>754,033</u></u> | <u><u>705,157</u></u> |
| Equity | | |
| Share capital | 233,860 | 233,860 |
| Reserves | 67,235 | 67,721 |
| Retained profits/(Accumulated losses) | 6,461 | (11,298) |
| Total equity attributable to shareholders of the Company | <u>307,556</u> | <u>290,283</u> |
| Minority interest | <u>71,919</u> | <u>57,935</u> |
| Total equity | <u><u>379,475</u></u> | <u><u>348,218</u></u> |
| Liabilities | | |
| Loans and borrowings | 69,757 | 74,165 |
| Total non-current liabilities | <u>69,757</u> | <u>74,165</u> |
| Payables and accruals | 260,863 | 194,205 |
| Loans and borrowings | 41,317 | 88,041 |
| Current tax liabilities | 2,621 | 318 |
| Dividend payable | - | 210 |
| Total current liabilities | <u>304,801</u> | <u>282,774</u> |
| Total liabilities | <u><u>374,558</u></u> | <u><u>356,939</u></u> |
| Total equity and liabilities | <u><u>754,033</u></u> | <u><u>705,157</u></u> |
| Net assets per share (RM) | 0.66 | 0.62 |

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FOURTH/CUMULATIVE QUARTER ENDED 31 DECEMBER 2009**

| | Individual Quarter | | Cumulative Quarter | |
|---|-----------------------------|--------------------------------------|-----------------------------|-------------------------------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To date | Preceding Year Corresponding Period |
| | 31/12/2009 | 31/12/2008 | 31/12/2009 | 31/12/2008 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 68,891 | 80,720 | 369,842 | 252,501 |
| Cost of sales | (50,772) | (64,859) | (297,280) | (196,777) |
| Gross Profit | 18,119 | 15,861 | 72,562 | 55,724 |
| Other income | 1,091 | 2,095 | 4,398 | 5,774 |
| Other expenses | (2,780) | (3,447) | (5,180) | (4,447) |
| Distribution costs | (1,620) | (1,322) | (4,182) | (4,065) |
| Administrative expenses | (7,712) | (8,013) | (34,081) | (34,650) |
| Profit from operations | 7,098 | 5,174 | 33,517 | 18,336 |
| Interest expense | (1,006) | (2,652) | (6,645) | (9,513) |
| Interest income | 1,287 | 1,273 | 2,674 | 4,452 |
| Share of profit after tax and minority interest of associates | 840 | 888 | 3,790 | 2,754 |
| Profit before tax | 8,219 | 4,683 | 33,336 | 16,029 |
| Taxation | (1,830) | (2,007) | (7,256) | (4,140) |
| Profit for the period | 6,389 | 2,676 | 26,080 | 11,889 |
| Attributable to: | | | | |
| Equity holders of the parent | 5,254 | 1,497 | 22,050 | 8,822 |
| Minority interests | 1,135 | 1,179 | 4,030 | 3,067 |
| Profit for the period | 6,389 | 2,676 | 26,080 | 11,889 |
| Basic earnings per ordinary share (sen) | 1.12 | 0.32 | 4.71 | 1.91 |

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 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 2009**

| | ←————— Attributable to Equity Holders of the Parent —————→ | | | | | | —————→ | Minority interest | Total equity |
|---|--|---------------|-----------------|---------------------|---------------------|--------------------|----------------|-------------------|----------------|
| | Share capital | Share premium | Warrant reserve | Translation reserve | Revaluation reserve | Accumulated losses | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 31 December 2007, as restated/ | | | | | | | | | |
| 1 January 2008 | 212,600 | 10,058 | 22,150 | (1,461) | 170 | (20,122) | 223,395 | 38,142 | 261,537 |
| Foreign exchange translation differences | - | - | - | 10,446 | - | - | 10,446 | 4,780 | 15,226 |
| Realisation of property, plant and equipment | - | - | - | - | (20) | 2 | (18) | - | (18) |
| Net gains recognised directly in equity | - | - | - | 10,446 | (20) | 2 | 10,428 | 4,780 | 15,208 |
| Profit for the year | - | - | - | - | - | 8,822 | 8,822 | 3,067 | 11,889 |
| Total recognised income and expense for the year | - | - | - | 10,446 | (20) | 8,824 | 19,250 | 7,847 | 27,097 |
| Issuance of shares | | | | | | | | | |
| - private placement | 21,260 | 25,087 | - | - | - | - | 46,347 | - | 46,347 |
| Private placement expenses | - | (78) | - | - | - | - | (78) | - | (78) |
| Acquisition of subsidiary | - | - | - | - | - | - | - | 17,038 | 17,038 |
| Realisation of reserves on disposal of subsidiary | - | - | - | 1,369 | - | - | 1,369 | (4,333) | (2,964) |
| Dividends to minority interest | - | - | - | - | - | - | - | (759) | (759) |
| At 31 December 2008 | 233,860 | 35,067 | 22,150 | 10,354 | 150 | (11,298) | 290,283 | 57,935 | 348,218 |



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2009 (continued)**

| | ←————— Attributable to Equity Holders of the Parent —————→ | | | | | | —————→ | | | |
|---|--|----------------------------|------------------------------|----------------------------------|----------------------------------|---|-----------------|--------------------------------|---------------------------|--|
| | ←————— Non – distributable | | | —————→ Distributable | | | | | | |
| | Share capital RM'000 | Share premium RM'000 | Warrant reserve RM'000 | Translation reserve RM'000 | Revaluation reserve RM'000 | Retained profits/ (Accumulated losses) RM'000 | Total RM'000 | Minority interest RM'000 | Total equity RM'000 | |
| At 1 January 2009 | 233,860 | 35,067 | 22,150 | 10,354 | 150 | (11,298) | 290,283 | 57,935 | 348,218 | |
| Foreign exchange translation differences | - | - | - | (486) | - | - | (486) | (765) | (1,251) | |
| Net gains recognised directly in equity | - | - | - | (486) | - | - | (486) | (765) | (1,251) | |
| Profit for the year | - | - | - | - | - | 22,050 | 22,050 | 4,030 | 26,080 | |
| Total recognised income and expense for the year | - | - | - | (486) | - | 22,050 | 21,564 | 3,265 | 24,829 | |
| Acquisition of subsidiary | | | | | | | - | 10,032 | 10,032 | |
| Issuance of shares by a subsidiary to minority shareholders | | | | | - | - | - | 1,402 | 1,402 | |
| Dividends to shareholders | - | - | - | - | - | (4,291) | (4,291) | - | (4,291) | |
| Dividends to minority interest | - | - | - | - | - | - | - | (715) | (715) | |
| At 31 December 2009 | 233,860 | 35,067 | 22,150 | 9,868 | 150 | 6,461 | 307,556 | 71,919 | 379,475 | |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.



**UNAUDITED CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE CUMULATIVE FOURTH QUARTER ENDED 31 DECEMBER 2009**

| | 12 months Ended 31/12/2009 RM'000 | 12 months Ended 31/12/2008 RM'000 |
|---|--|--|
| <u>Cash flows from operating activities</u> | | |
| Profit before tax | 33,336 | 16,029 |
| Adjustments for : | | |
| - Non-cash items | 8,071 | 9,651 |
| - Non-operating items | 3,971 | 5,061 |
| Operating profit before changes in working capital | <u>45,378</u> | <u>30,741</u> |
| Changes in working capital | 11,577 | (13,075) |
| Cash generate from operations | <u>56,955</u> | <u>17,666</u> |
| Income taxes paid | (2,209) | (2,651) |
| Interest paid | (6,645) | (9,513) |
| Net cash generate from operating activities | <u>48,101</u> | <u>5,502</u> |
| <u>Cash flows from investing activities</u> | | |
| - Proceeds from disposal of property, plant and equipment | 180 | 7,112 |
| - Acquisition of property, plant and equipment | (42,557) | (22,906) |
| - Acquisition of investment properties | (1,285) | (102) |
| - Acquisition of subsidiary, net of cash acquired | 8,998 | 3,937 |
| - Prepayment of prepaid lease term | (75) | (391) |
| - Dividends received from associated company | 1,203 | 8,361 |
| - Disposal of subsidiary, net of cash disposed | - | (50) |
| - Interest received | 2,674 | 4,452 |
| Net cash generated (used in)/from investing activities | <u>(30,862)</u> | <u>413</u> |
| <u>Cash flows from financing activities</u> | | |
| - Net proceeds from issue of share capital | - | 46,269 |
| - Proceeds from issuing of equity shares in a subsidiary to minority shareholders | 1,402 | - |
| - Proceeds from bank borrowings | 44,285 | 42,904 |
| - Repayments of bank borrowings | (94,520) | (29,028) |
| - Dividends paid to shareholders | (4,291) | - |
| - Dividends paid to minority shareholders | (926) | (958) |
| - Payment of finance lease liabilities | (781) | (666) |
| Net cash from (used in)/from financing activities | <u>(54,831)</u> | <u>58,521</u> |
| Exchange differences on translation of the financial statements of foreign entities | 316 | 1,983 |
| Net increase in cash and cash equivalents | (37,276) | 66,419 |
| Effect of exchange rate fluctuations on cash held | (154) | 1,982 |
| Cash and cash equivalents at beginning of period | <u>184,707</u> | <u>116,306</u> |
| Cash and cash equivalents at end of period | <u>147,277</u> | <u>184,707</u> |



SALCON BERHAD (Company No: 593796-T)

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

| | 12 months Ended 31/12/2009 RM'000 | 12 months Ended 31/12/2008 RM'000 |
|-------------------------------------|--|--|
| Cash and bank balances | 98,218 | 53,883 |
| Deposits placed with licensed banks | 49,266 | 131,745 |
| Bank overdrafts | (207) | (921) |
| | <u>147,277</u> | <u>184,707</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 2008 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 2009

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 2008 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 2008.

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 2008.

2. Preceding Annual Financial Statement

The audit report of the Group's annual financial statements for the year ended 31 December 2008 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 2009.

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 2009.

7. Dividends Paid

The dividend paid for the cumulative quarter ended 31 December 2009 is as follows:-

| | Cumulative Quarter To-date 30/09/09 RM'000 |
|--|---|
| First and final dividend of 1 sen per share which comprises 0.67 sen per share, tax exempt and 0.33 sen per share less 25% income tax in respect of the financial year ended 31 December 2008 was paid on 23 July 2009 | 4,291 |

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 31 December 2009 are as follows:-

| | Construction | Concessions | Others | Inter-segment Elimination | Total |
|---|---------------------|--------------------|---------------|--------------------------------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | |
| External | 273,999 | 88,913 | 6,930 | - | 369,842 |
| Inter segment | - | - | 243 | (243) | - |
| | 273,999 | 88,913 | 7,173 | (243) | 369,842 |
| Results | | | | | |
| Profit from operations | 21,957 | 29,717 | 724 | - | 52,398 |
| Share of profit after tax and minority interest of associates | - | 3,790 | - | - | 3,790 |
| | 21,957 | 33,507 | 724 | - | 56,188 |
| Unallocated corporate expense | | | | | (18,881) |
| Net financing costs | | | | | (3,971) |
| Profit before taxation | | | | | 33,336 |

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 31 December 2009. 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 17 February 2010 (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 2009 was as follows:-

Salcon Engineering Vietnam Company Limited (“SEV”) was incorporated in Vietnam on 20 January 2009. The legal capital of SEV is USD250,000 and its principal activity is construction. SEV is a wholly-owned subsidiary of Salcon Engineering Berhad, a wholly-owned subsidiary of the Company. The incorporation of SEV will not have any material effect on the earnings or net assets of Salcon Group for the financial year ending 31 December 2009, and the share capital of the Company.

12. Changes in Contingent Liabilities/Contingent Assets

The changes in contingent liabilities since the last annual balance sheet date as at 31 December 2008 to 17 February 2010 (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>11,586</u> |

13. Net assets (NA) per share

The NA per share is derived as follows:-

| | RM'000 |
|--------------------|----------------|
| Shareholders funds | 307,556 |
| No. of shares | <u>467,720</u> |
| NA per share (RM) | <u>0.66</u> |

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]



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

1. Taxation

| | Current Quarter Ended 31-12-09 RM'000 | Cumulative Quarter To-date 31-12-09 RM'000 |
|----------------------------|---|--|
| Malaysian - current period | (406) | 4,853 |
| - prior years | (133) | (48) |
| Overseas - current period | <u>2,369</u> | <u>2,451</u> |
| | <u>1,830</u> | <u>7,256</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 material disposals of unquoted investments or properties during the cumulative quarter ended 31 December 2009.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 31 December 2009.

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 17 February 2010 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 |
| General working capital for Salcon Berhad and its subsidiaries | 79,978 | (66,438) | 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% | Completed |
| Total | 120,866 | (103,482) | | | | |

5. Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2009 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-------------------------------|-------------------|---------------------|-----------------|
| Long Term Borrowings | | | |
| Term loan | 6,180 | 60,793 | 66,973 |
| Hire purchase liabilities | 2,784 | - | 2,784 |
| | <u>8,964</u> | <u>60,793</u> | <u>69,757</u> |
| Short Term Borrowings | | | |
| Bank overdrafts | - | 207 | 207 |
| Revolving credits | - | 8,199 | 8,199 |
| Bankers acceptances | - | 11,428 | 11,428 |
| Term loan | 1,540 | 18,789 | 20,329 |
| Hire purchase liabilities | 1,154 | - | 1,154 |
| | <u>2,694</u> | <u>38,623</u> | <u>41,317</u> |
| Total Group Borrowings | <u>11,658</u> | <u>99,416</u> | <u>111,074</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) | 121,197 | 60,793 |
| Short Term Borrowings (Unsecured) | 44,997 | 22,571 |

6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 17 February 2010 (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 17 February 2010 (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 lower by 37% and 25% respectively as compared with the immediate preceding quarter due to lower billings of contract works.

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

For the current financial quarter, the Group achieved revenues of RM68.89 million and pre-tax profit of RM8.22 million. Group revenue was lower by 15% as compared to the corresponding quarter in the preceding year. However, the Group profit before tax was higher by 76% due to better profit margins from construction activities and lower interest costs.

For the financial year end to date, the Group recorded revenue and profit before tax of RM369.84 million and RM33.34 million representing 46% and 108% higher respectively as compared to the corresponding preceding year. Higher revenue and profits were mainly attributable to the construction activities as well as the concessions in China.

10. Prospects

The Group is confident of continuing to earn even higher level of revenue and profits from its existing investments in water and waste water in China. The Group is optimistic on its growth prospects and opportunity to secure new projects in its core business both in Malaysia and overseas especially in India with its huge population, economic growth and acute shortage of water supply and waste water treatment facilities. To tap into the Indian market, the Group established an office in Hyderabad in the third quarter of last year to explore actively in business opportunities. In view of the foregoing, the Group is positive on its future prospects.

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 3% or 1.5 sen (single tier tax exempt) per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2009 for the approval of the shareholders at the Seventh Annual General Meeting.



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 31-12-09 | Comparative Quarter Ended 31-12-08 | Cumulative Quarter To-date 31-12-09 | 31-12-08 |
|--|---|---|--|----------------|
| Profit attributable to equity holders of the parent (RM'000) | <u>5,254</u> | <u>1,497</u> | <u>22,050</u> | <u>8,822</u> |
| <u>Weighted average number of ordinary shares</u> | | | | |
| Issued ordinary shares at beginning of period ('000) | <u>467,720</u> | <u>425,201</u> | <u>467,720</u> | <u>425,201</u> |
| Effect of shares issued during the period ('000) | <u>-</u> | <u>42,520</u> | <u>-</u> | <u>36,246</u> |
| Weighted average number of ordinary shares ('000) | <u>467,720</u> | <u>467,721</u> | <u>467,720</u> | <u>461,447</u> |
| Basic earnings per share (sen) | 1.12 * | 0.32 * | 4.71 * | 1.91 * |

* 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 24 February 2010.

ON BEHALF OF THE BOARD

HOW SEE HOCK
Chief Executive Officer

Selangor Darul Ehsan
24 February 2010