



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2011 - UNAUDITED**

	30/06/2011 RM'000	31/12/2010 RM'000 Restated
Assets		
Property, plant and equipment	25,835	8,467
Intangible assets	412,962	347,941
Prepaid lease payments	24,622	23,642
Investment properties	3,443	3,443
Investment in associate	32,101	30,690
Other investments	86	86
Deferred tax assets	2,420	2,420
Total non-current assets	501,469	416,689
Trade and other receivables, including derivatives	275,206	272,404
Inventories	6,816	5,421
Current tax assets	108	143
Assets classified as held for sale	-	653
Cash and cash equivalents	199,379	145,230
Total current assets	481,509	423,851
Total assets	982,978	840,540
Equity		
Share capital	237,154	236,774
Reserves	50,395	50,865
Capital reserves	41,917	-
Retained earnings	25,795	21,833
Total equity attributable to owners of the Company	355,261	309,472
Non-controlling interests	138,948	84,546
Total equity	494,209	394,018
Liabilities		
Loans and borrowings	59,290	40,276
Deferred tax liabilities	79	79
Total non-current liabilities	59,369	40,355
Trade and other payables, including derivatives	196,680	205,519
Loans and borrowings	227,638	195,911
Current tax liabilities	5,082	4,737
Total current liabilities	429,400	406,167
Total liabilities	488,769	446,522
Total equity and liabilities	982,978	840,540
Net assets per share (RM)	0.75	0.65

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



SALCON BERHAD (Company No: 593796-T)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND/CUMULATIVE QUARTER ENDED 30 JUNE 2011 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Revenue	100,553	108,612	210,990	221,565
Cost of sales	(81,769)	(86,281)	(174,375)	(178,469)
Gross Profit	18,784	22,331	36,615	43,096
Other income	2,841	8,528	4,097	9,264
Other expenses	(39)	-	(39)	-
Tendering and distribution costs	(1,313)	(1,203)	(2,180)	(2,474)
Administrative expenses	(14,516)	(10,372)	(24,919)	(20,359)
Profit from operations	5,757	19,284	13,574	29,527
Interest expense	(1,763)	(2,766)	(3,717)	(3,792)
Interest income	319	165	557	229
Share of profit after tax and minority interest of associates	852	860	1,411	1,657
Profit before tax	5,165	17,543	11,825	27,621
Taxation	(1,527)	(2,575)	(2,722)	(4,531)
Profit for the period	3,638	14,968	9,103	23,090
Profit attributable to:				
Owners of the Company	369	12,918	4,662	18,468
Non-controlling interests	3,269	2,050	4,441	4,622
Profit for the period	3,638	14,968	9,103	23,090
Basic earnings per ordinary share (sen)	0.08	2.76	0.98	3.95
Diluted earnings per ordinary share (sen)	0.07	-	0.94	-

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND/CUMULATIVE QUARTER ENDED 30 JUNE 2011 - UNAUDITED**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year ToDate	Preceding Year Corresponding Period
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Profit for the period	3,638	14,968	9,103	23,090
Other comprehensive (loss)/income, net of tax				
Changes in fair value of cash flow hedge	-	623	-	6,012
Foreign currency translation differences for foreign operations	(148)	147	(2,875)	(12,050)
Other comprehensive (loss)/income for the period, net of tax	(148)	770	(2,875)	(6,038)
Total comprehensive income for the period	3,490	15,738	6,228	17,052
Total comprehensive (loss)/income attributable to:				
Owners of the Company	391	14,080	2,720	15,184
Non-controlling interests	3,099	1,658	3,508	1,868
Total comprehensive income for the period	3,490	15,738	6,228	17,052

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2011 – UNAUDITED**

	Attributable to owners of the Company									Total	Non-controlling interests	Total equity
	Non – distributable					Distributable						
	Share capital	Share premium	Warrant reserve	Translation reserve	Hedging reserve	Share option reserve	Capital reserve	Revaluation reserve	Retained earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	233,860	35,067	22,150	9,840	-	-	-	150	6,464	307,531	71,700	379,231
Total comprehensive												
income for the period	-	-	-	(9,297)	6,012	-	-	-	18,468	15,183	1,869	17,052
Dividends to minority interests	-	-	-	-	-	-	-	-	-	-	(2,340)	(2,340)
At 30 June 2010	233,860	35,067	22,150	543	6,012	-	-	150	24,932	322,714	71,229	393,943
At 1 January 2011	236,774	36,445	22,150	(8,658)	-	778	-	150	21,833	309,472	84,546	394,018
Total comprehensive												
income for the period	-	-	-	(1,942)	-	-	-	-	4,662	2,720	3,508	6,228
Share option exercised	380	53	-	-	-	869	-	-	-	1,302	-	1,302
Transfer to share premium												
for share options exercised	-	129	-	-	-	(129)	-	-	-	-	-	-
Acquisition by non-												
controlling interests	-	-	-	-	-	-	41,767	-	-	41,767	51,208	92,975
Dividends to minority interest	-	-	-	-	-	-	-	-	-	-	(314)	(314)
At 30 June 2011	237,154	36,627	22,150	(10,600)	-	1,518	41,767	150	26,495	355,261	138,948	494,209

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2011 – UNAUDITED**

	6 months Ended 30/06/2011 RM'000	6 months Ended 30/06/2010 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	11,825	27,621
Adjustments for :		
- Non-cash items	8,703	(2,371)
- Non-operating items	3,161	3,563
Operating profit before changes in working capital	<u>23,689</u>	<u>28,813</u>
Changes in working capital	<u>(26,272)</u>	<u>(23,353)</u>
Cash (used in)/ generate from operations	<u>(2,583)</u>	<u>5,460</u>
Income taxes paid	<u>(2,599)</u>	<u>(2,041)</u>
Interest paid	<u>(3,717)</u>	<u>(3,792)</u>
Net cash used in operating activities	<u>(8,899)</u>	<u>(373)</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	28	8
- Proceeds from disposal of assets classified as held for sale	653	-
- Proceeds from disposal of investment properties	1,215	-
- Disposal of subsidiary, net of cash disposed	92,001	-
- Acquisition of property, plant and equipment	(51,327)	(64,569)
- Acquisition of subsidiary, net of cash acquired	(15,065)	(56)
- Acquisition of investment properties	-	(5)
- Prepayment of lease term	(1,505)	(24)
- Interest received	557	229
Net cash generated from/(used in) investing activities	<u>26,557</u>	<u>(64,417)</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares capital	433	-
- Proceeds from bank borrowings	75,844	128,713
- Repayments of bank borrowings	(33,278)	(49,805)
- Dividends paid to minority shareholders	(314)	(2,340)
- Payment of hire purchase liabilities	(759)	(578)
Net cash generated from financing activities	<u>41,926</u>	<u>75,990</u>
Exchange differences on translation of the financial statements of foreign entities	<u>(3,302)</u>	<u>(5,543)</u>
Net increase in cash and cash equivalents	<u>56,282</u>	<u>5,657</u>
Cash and cash equivalents at beginning of period	<u>139,400</u>	<u>147,312</u>
Cash and cash equivalents at end of period	<u>195,682</u>	<u>152,969</u>



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The cash and cash equivalents comprise the following balance sheet amounts

	6 months Ended 30/06/2011 RM'000	6 months Ended 30/06/2010 RM'000
Cash and bank balances	112,900	63,412
Deposits placed with licensed banks	86,479	91,166
Bank overdrafts	(1,496)	(1,609)
	197,883	152,969
Less: Amount placed with debts service reserve accounts	(2,201)	-
	195,682	152,969

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The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2010 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 2011

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 2010 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 2010.

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 2010 except for the adoption of the following new and revised Financial Reporting Standards (FRSs), Issues Committee (IC) Interpretation and Amendments to FRSs and IC Interpretations by the Group with effect from 1 January 2011.

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment Transactions*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

IC Interpretation 17 and IC Interpretation 18 are not applicable to the Group and the Company.

The adoption of the abovementioned new and revised FRSs, IC Interpretations and amendments to FRSs and IC Interpretations do not have any significant impact on the financial statements of the Group except for the following:

a) FRS 127, *Consolidated and Separate Financial Statements* (revised) (“FRS 127”)

FRS 127 requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The revised standard also requires all losses attributable to the non-controlling interest to be absorbed by the non-controlling interest instead of by the parent. The term minority interest was replaced by the term non-controlling interest.

b) IC Interpretation 12, *Service Concession Agreements* (“IC 12”)

The interpretation requires the Group to records its concession assets as intangible assets at cost less amortisation. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the interpretation and has no effect on the reported profit equity. The following comparative figures have been restated following the adoption of the IC 12:

	As previously reported RM'000	Adoption of IC 12 RM'000	As restated RM'000
Property, plant and equipment	340,703	(332,236)	8,467
Intangible assets	15,705	332,236	347,941

2. Preceding Annual Financial Statement

The audit report of the Group’s annual financial statements for the year ended 31 December 2010 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 30 June 2011.

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 2011 other than the issuance of 759,500 new ordinary shares of RM0.50 each pursuant to the exercise of the Employees' Share Option Scheme (ESOS) at the option price of RM0.57.

7. Dividends Paid

There were no payment of dividend for the cumulative quarter ended 30 June 2011.

8. Segmental Reporting

The segmental revenue and results of the Group for the quarter ended 30 June 2011 are as follows:-

	Constructions RM'000	Concessions RM'000	Trading RM'000	Total RM'000
Revenue from external customers	155,000	49,170	6,819	210,990
Share of profit of associate	-	1,411	-	1,411
Segment profit	4,892	17,707	(263)	22,336
Depreciation and amortization	(523)	(6,819)	(9)	(7,351)
Finance costs	(1,385)	(2,332)	-	(3,717)
Finance income	264	286	7	557
Income tax expense	(1,357)	(983)	(382)	(2,722)
Profit after tax	1,891	7,859	(647)	9,103
Segment assets	389,840	562,703	30,435	982,978
<i>Included in the measure of segment assets are:</i>				
Investment in associate	-	32,101	-	32,101
Additions to non-current assets other than financial instruments and deferred tax assets	178	42,667	19,028	61,873

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 2011. 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 18 August 2011 (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

There were no changes in the composition of the Group for the current quarter and financial period to-date except for the following:-

- (i) Salcon Capital Sdn. Bhd., a wholly owned subsidiary of Salcon Berhad ("the Company"), had on 14 January 2011 entered into a Shares Subscription Agreement with Eco-Tours Sdn. Bhd. ("Eco-Tours") and Eco NGT Sdn. Bhd. (Existing Sole Shareholders of Eco-Tours) to subscribe for 1,026,000 new ordinary shares of RM1.00 each in the issued and paid-up share capital of Eco-Tours which represents 51.3% of the share capital of 2,000,000 ordinary shares of RM1.00 each. The principal activity of Eco-Tours is in the business of transportation services. The acquisition will not have any material effect on the earnings and net assets of the Group, and the share capital of the Company.
(ii) Further to the announcement on 21 March 2011 on the execution of Concession Agreement between SCHK and Changzhou City Tian Ning District Diao Zhuang Street Office ("CCTNDDZSO") and the execution of Asset Transfer Agreement between Salcon Changzhou (HK) Limited ("SCHK") and Changzhou Southeast Industrial Wastewater Treatment Plant whereby a new company will be incorporated in People's Republic of China to carry out the obligations and responsibilities of SCHK, Salcon Berhad ("Salcon" or "Company") wishes to announce that SCHK Limited had on 20 April 2011 incorporated a new wholly-owned subsidiary company in People's Republic of China, details of which are set out below:

Table with 5 rows and 3 columns: 1. Name of Company: Changzhou Salcon Wastewater Treatment Co. Ltd. ("CSWT"); 2. Principal Activities: Wastewater operation and treatment; 3. Registered share capital: USD5.07 million (equivalent to approximately RM15,236,100); 4. Paid up capital: As at the date of incorporation, there is no paid up capital. The proposed paid up capital is USD5.07 million; 5. Mr. Tey Thiam Huat has been nominated as the legal representative of CSWT

The incorporation of CSWT will not have any material effect on the earnings and net assets of the Group for the financial year ending 31 December 2011.

12. Changes in Contingent Liabilities/Contingent Assets

The contingent as at financial period ended 30 June 2011 are as follows:-

Table with 2 columns: Description and RM'000. Rows include Bank guarantees given to third parties relating to performance, tenders and advance payment bonds (140,724) and Guarantees given in favour of third parties (10,918).



13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	355,261
No. of shares	<u>474,308</u>
NA per share (RM)	<u>0.75</u>

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

1. Taxation

The breakdown of tax charge is as follows:-

	Current Quarter Ended 30/06/2011 RM'000	Cumulative Quarter To-date 30/06/2011 RM'000
Malaysian - current period	1,061	1,883
Overseas - current period	466	839
	<u>1,527</u>	<u>2,722</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 during the cumulative quarter ended 30 June 2011.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 30 June 2011.

4. Status of Corporate Proposals

On 22 November 2010, Salcon Berhad ("Salcon" or the "Company") entered into a Conditional Sale and Purchase Agreement ("SPA") with Challenger Emerging Market Infrastructure Fund Pte. Ltd. ("EMIF") in relation to the proposed disposal by the Company of 40% of the entire issued and paid-up share capital of Salcon Water (Asia) Limited ("Salcon Asia") to EMIF for a total cash consideration of Renminbi ("RMB") 238 million (or an equivalent of Hong Kong dollar ("HKD") 278.46 million or RM112.26 million based on an exchange rate of RMB1.00 : HKD1.17 and RM1.00 : RMB2.12 respectively) ("Proposed Disposal").

To facilitate, inter-alia, the Proposed Disposal, Salcon shall undertake a proposed internal restructuring involving its wholly-owned subsidiary company, namely, Salcon Asia (currently a dormant investment holding company), and five (5) other wholly-owned subsidiary companies of the Company, namely, Salcon Services (HK) Limited, Salcon Shandong (HK) Limited, Salcon Linyi (HK) Limited, Salcon Zhejiang (HK) Limited and Salcon Fujian (HK) Limited (collectively referred to as the "HK Subsidiaries") (which are principally involved in water treatment, sewage treatment, raw water supply/transfer activities) whereby the HK Subsidiaries will become approximately 99.99%-owned subsidiary companies of Salcon Asia ("Proposed Internal Restructuring").

The Proposed Internal Restructuring is to be completed prior to the Proposed Disposal.



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On 21 January 2011, the ordinary resolution set out in the Notice of Extraordinary General Meeting regarding the Proposed Disposal was duly passed by the shareholders of the Company.

On 28 February 2011, the disposal of 40% equity interest in Salcon Asia to EMIF ("Disposal") was deemed completed by the Board following the completion of the conditions precedent of the Sale and Purchase Agreement dated 22 November 2010 relating to the Disposal ("SPA"). Concurrent with the completion of the Disposal, Salcon had on even date entered into a Shareholders' Agreement ("SA") with EMIF.

The SA governs matters relating to the ownership, management, control and operation of the Salcon Asia Group as well as the relationship between Salcon and EMIF.

On 29 April 2011, the consideration for the Disposal of RMB238 million (or equivalent to approximately RM112.26 million based on the exchange rate of RM1.00 : RMB2.12 as at 6 January 2011) had been adjusted to RMB202.62 million (or equivalent of RM95.58 million based on an exchange rate of RM1.00: RMB2.12 as at 6 January 2011) pursuant to Clause 3 and Schedule 5 of the SPA. Accordingly, Salcon had on 29 April 2011 refunded RMB35.38 million (or equivalent of RM16.69 million based on an exchange rate of RM1.00: RMB2.12 as at 6 January 2011) in cash to EMIF.

Both Salcon and EMIF have mutually agreed to the value of the said adjusted Disposal consideration.

The status of the utilisation of the proceeds as at 18 August 2011 arising from the disposal 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	Actual	Intended	Deviation		Explanation
	Revised			Utilisation	RM'000	
	Utilisation	Utilisation	Timeframe			
	RM'000	RM'000	for			
			Utilisation			
Future investments	84,380	(15,210)	24 months	Nil	Nil	Not completed
Repayment of bank borrowings	10,000	(10,000)	12 months	Nil	Nil	Completed
Defraying estimated expenses relating to the Disposal	1,200	(1,200)	3 months	Nil	Nil	Completed
Total	95,580	(26,410)				



5. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2011 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	-	47,225	47,225
Finance lease creditors	12,065	-	12,065
	<u>12,065</u>	<u>47,225</u>	<u>59,290</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	1,496	1,496
Revolving credits	-	9,391	9,391
Bankers acceptances	-	12,138	12,138
Term loan	-	203,017	203,017
Finance lease creditors	1,596	-	1,596
	<u>1,596</u>	<u>226,042</u>	<u>227,638</u>
Total Group Borrowings	<u>13,661</u>	<u>273,267</u>	<u>286,928</u>

Included in the above Group borrowings are the following loans denominated in Chinese Renminbi (RMB) :

	Foreign currency RMB'000	Equivalent RM'000
Short Term Borrowings (Unsecured)	<u>420,364</u>	<u>196,432</u>

6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 18 August 2011 (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 18 August 2011 (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's revenue and profit before tax was lower by 9% and 22% respectively as compared with the immediate preceding quarter.



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

For the current financial quarter under review, the Group achieved lower revenues amounting to RM100.55 million compared to RM108.61 million for the same period in the preceding year or a decrease of 7%. Profit before taxation decreased to RM5.17 million from RM17.54 million for the corresponding period in the preceding year. The decrease in profits were mainly attributed by the lower margin of the construction projects, the procurement expenses of China Changzhou concession and the unrealised foreign currency translation losses. Besides that, there was an exceptional gain from disposal of property in the preceding year which amounted to RM5.5 million.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM210.99 million and RM11.83 million representing 5% and 57% lower respectively as compared to the corresponding quarter in the preceding year.

10. Prospects

The securing of the Karnataka, India water related construction project signify a milestone for the Group's plan to tap into the fast growing India water and wastewater market.

11. Variance of Profit Forecast / Profit Guarantee

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

12. Financial instruments - derivatives

As at 30 June 2011, the Group has the following outstanding foreign currency forward contracts under derivative financial instruments with the notional value of RM25.01 million:

Derivatives	Carrying Value RM'000	Fair Value RM'000
Foreign currency forward contracts – less than one year	36	36



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 30/06/2011	Comparative Quarter Ended 30/06/2010	Cumulative Quarter To-date	
			30/06/2011	30/06/2010
Profit/loss attributable to equity holders of the parent (RM'000)	<u>369</u>	<u>12,918</u>	<u>4,662</u>	<u>18,468</u>
<u>Weighted average number of ordinary shares</u>				
Issued ordinary shares at beginning of period ('000)	<u>473,548</u>	<u>467,720</u>	<u>473,548</u>	<u>467,720</u>
Effect of shares issued during the period ('000)	<u>1,100</u>	<u>-</u>	<u>547</u>	<u>-</u>
Weighted average number of ordinary shares ('000)	<u>474,648</u>	<u>467,720</u>	<u>474,095</u>	<u>467,720</u>
Basic earnings per share (sen)	0.08	2.76	0.98	3.95

Diluted earnings per share

	Current Quarter Ended 30/06/2011	Comparative Quarter Ended 30/06/2010	Cumulative Quarter To-date	
			30/06/2011	30/06/2010
Profit attributable to equity holders of the parent (RM'000)	<u>369</u>	<u>12,918</u>	<u>4,662</u>	<u>18,468</u>
<u>Weighted average number of ordinary shares (diluted)</u>				
Weighted average number of ordinary shares as above ('000)	<u>474,648</u>	<u>467,720</u>	<u>474,095</u>	<u>467,720</u>
Effect of approved unexercised ESOS ('000)	<u>24,172</u>	<u>-</u>	<u>24,172</u>	<u>-</u>
Weighted average number of ordinary shares (diluted)	<u>498,820</u>	<u>467,720</u>	<u>498,267</u>	<u>467,720</u>
Diluted earnings per share (sen)	0.07	*	0.94	*

* Note: Antidilutive



14. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of the retained profits of the Group as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, is as follows:

	As at 30/06/2011 RM'000	As at 31/12/2010 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	63,436	59,116
- Unrealised	(1,545)	118
	<hr/>	<hr/>
	61,891	59,234
Total share of retained profits from associated company:		
- Realised	10,301	8,890
Total share of retained profits from jointly controlled entities:		
- Realised	1,496	1,496
	<hr/>	<hr/>
	73,688	69,620
Less: Consolidation adjustments	(47,193)	(47,787)
	<hr/>	<hr/>
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 26,495	<hr/> <hr/> 21,833

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 25 August 2011.

ON BEHALF OF THE BOARD

DATO' TEE TIAM LEE
Executive Deputy Chairman

Selangor Darul Ehsan
25 August 2011