



SALCON BERHAD (Company No: 593796-T)

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2009**

	30/06/2009 RM'000	31/12/2008 RM'000
Assets		
Property, plant and equipment	203,622	189,626
Intangible assets	13,672	13,854
Prepaid lease payments	28,839	29,037
Investment properties	5,434	4,720
Investment in associate	31,530	29,541
Other investments	86	2,086
Deferred tax assets	4,921	4,921
Total non-current assets	288,104	273,785
Receivables, deposits and prepayments	262,170	236,138
Inventories	3,546	1,752
Current tax assets	151	354
Assets classified as held for sale	0	7,500
Cash and cash equivalents	145,407	185,628
Total current assets	411,274	431,372
Total assets	699,378	705,157
Equity		
Share capital	233,860	233,860
Reserves	70,408	67,721
Accumulated losses	(1,641)	(11,298)
Total equity attributable to shareholders of the Company	302,627	290,283
Minority interest	61,373	57,935
Total equity	364,000	348,218
Liabilities		
Loans and borrowings	89,594	74,165
Total non-current liabilities	89,594	74,165
Payables and accruals	221,417	194,205
Loans and borrowings	21,108	88,041
Current tax liabilities	3,049	318
Dividend payable	210	210
Total current liabilities	245,784	282,774
Total liabilities	335,378	356,939
Total equity and liabilities	699,378	705,157
Net assets per share (RM)	0.65	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 SECOND/CUMULATIVE QUARTER ENDED 30 JUNE 2009**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year Totdate	Preceding Year Corresponding Period
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM'000	RM'000	RM'000	RM'000
Revenue	111,649	61,941	191,412	107,244
Cost of sales	(91,332)	(47,398)	(156,022)	(82,062)
Gross Profit	20,317	14,543	35,390	25,182
Other income	673	276	2,089	2,750
Distribution costs	(800)	(879)	(1,661)	(1,781)
Administrative expenses	(10,077)	(8,531)	(20,211)	(17,498)
Profit from operations	10,113	5,409	15,607	8,653
Interest expense	(1,761)	(2,320)	(4,577)	(4,493)
Interest income	362	1,311	1,121	2,365
Share of profit after tax and minority interest of associates	909	538	1,988	1,209
Profit before tax	9,623	4,938	14,139	7,734
Taxation	(2,427)	(871)	(3,299)	(1,208)
Profit for the period	7,196	4,067	10,840	6,526
Attributable to:				
Equity holders of the parent	6,410	3,679	9,657	5,472
Minority interests	786	388	1,183	1,054
Profit for the period	7,196	4,067	10,840	6,526
Basic earnings per ordinary share (sen)	1.370	0.787	2.065	1.201

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.



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE CUMULATIVE SECOND QUARTER ENDED 30 JUNE 2009**

	←————— Attributable to Equity Holders of the Parent —————→						Total RM'000	Minority interest RM'000	Total equity RM'000
	←————— Non – distributable			—————→ Distributable					
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Accumulated losses 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 SECOND QUARTER ENDED 30 JUNE 2009 (continued)**

	←————— Attributable to Equity Holders of the Parent —————→						Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Translation reserve RM'000	Revaluation reserve RM'000	Accumulated losses 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	-	-	-	2,687	-	-	2,687	-	2,687
Net gains recognised directly in equity	-	-	-	2,687	-	-	2,687	-	2,687
Profit for the year	-	-	-	-	-	9,657	9,657	1,183	10,840
Total recognised income and expense for the year	-	-	-	2,687	-	9,657	12,344	1,183	13,527
Issuance of shares by a subsidiary to minority shareholders	-	-	-	-	-	-	-	2,578	2,578
Dividends to minority interest	-	-	-	-	-	-	-	(323)	(323)
At 30 June 2009	233,860	35,067	22,150	13,041	150	(1,641)	302,627	61,373	364,000

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 SECOND QUARTER ENDED 30 JUNE 2009**

	6 months Ended 30/06/2009 RM'000	6 months Ended 30/06/2008 RM'000
<u>Cash flows from operating activities</u>		
Profit before tax	14,139	7,734
Adjustments for :		
- Non-cash items	6,184	2,369
- Non-operating items	3,456	2,128
Operating profit before changes in working capital	<u>23,779</u>	<u>12,231</u>
Changes in working capital	7,054	802
Cash generate from operations	<u>30,833</u>	<u>13,033</u>
Income taxes paid	(366)	(1,306)
Interest paid	(4,577)	(4,493)
Net cash generate from operating activities	<u>25,890</u>	<u>7,234</u>
<u>Cash flows from investing activities</u>		
- Proceeds from disposal of property, plant and equipment	170	6,401
- Acquisition of property, plant and equipment	(15,722)	(7,211)
- Acquisition of investment properties	(713)	-
- Prepayment of lease term	(298)	(234)
- Interest received	1,121	2,365
Net cash generated (used in)/from investing activities	<u>(15,442)</u>	<u>1,321</u>
<u>Cash flows from financing activities</u>		
- Net proceeds from issue of shares	-	46,269
- Proceeds from issuing of equity shares in a subsidiary to minority shareholders	2,578	-
- Proceeds from bank borrowings	19,489	13,456
- Repayments of bank borrowings	(75,830)	(21,251)
- Dividends paid to minority shareholders	(323)	(498)
- Payment of hire purchase liabilities	(432)	(261)
Net cash from (used in)/from financing activities	<u>(54,518)</u>	<u>37,715</u>
Effects of exchange rate changes	822	(1,217)
Net increase in cash and cash equivalents	<u>(43,248)</u>	<u>45,053</u>
Cash and cash equivalents at beginning of period	184,707	116,306
Cash and cash equivalents at end of period	<u>141,459</u>	<u>161,359</u>



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

	6 months Ended 30/06/2009 RM'000	6 months Ended 30/06/2008 RM'000
Cash and bank balances	60,143	45,153
Deposits placed with licensed banks	85,264	118,734
Bank overdrafts	(3,948)	(2,528)
	<u>141,459</u>	<u>161,359</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 2008 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 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 30 June 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 30 June 2009.



7. Dividends Paid

There were no dividend paid for the cumulative quarter ended 30 June 2009.

8. Segmental Reporting

The segmental revenue and results of the Group for the cumulative quarter ended 30 June 2009 are as follows:-

	Construction	Concessions	Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External	146,667	40,880	3,865	-	191,412
Inter segment	-	-	243	(243)	-
	<u>146,667</u>	<u>40,880</u>	<u>4,108</u>	<u>(243)</u>	<u>191,412</u>
Results					
Profit from operations	13,957	9,027	438	-	23,422
Share of profit after tax and minority interest of associates	-	1,988	-	-	1,988
	<u>13,957</u>	<u>11,015</u>	<u>438</u>	<u>-</u>	<u>25,410</u>
Unallocated corporate expense					(7,815)
Net financing costs					<u>(3,456)</u>
Profit before taxation					<u>14,139</u>

9. Valuations of Property, Plant and Equipment

There was no revaluation of property, plant and equipment during the cumulative quarter ended 30 June 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 19 August 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 6 month period ended 30 June 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 19 August 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>30,967</u>

13. Net assets (NA) per share

The NA per share is derived as follows:-

	RM'000
Shareholders funds	302,627
No. of shares	<u>467,720</u>
NA per share (RM)	<u>0.65</u>

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

1. Taxation

	Current Quarter Ended 6/30/2009 RM'000	Cumulative Quarter To-date 6/30/2009 RM'000
Malaysian - current period	<u>2,427</u>	<u>3,299</u>
	<u>2,427</u>	<u>3,299</u>

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

2. Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or properties during the cumulative quarter ended 30 June 2009.

3. Purchase or Disposal of Quoted Investments

There were no purchases or disposals of quoted investments during the cumulative quarter ended 30 June 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 19 August 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
General working capital for Salcon Berhad and its subsidiaries	79,978	(48,848)	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	(85,892)		(25)	0%	



- 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 August 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	3,988	11	Completed
Repayment of bank borrowings	10,000	(10,000)	1 month	Nil	Nil	Completed
General working capital for Salcon Berhad and its subsidiaries	1,047	(5,257)	3 months	(4,210)	(402)	Completed
Estimated expenses relating to the Proposed Private Placement	300	(78)	2 months	222	74	Completed
Total	46,347	(46,347)		-	-	-

5. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2009 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Long Term Borrowings</u>			
Term loan	6,950	79,943	86,893
Hire purchase liabilities	2,701	-	2,701
	<u>9,651</u>	<u>79,943</u>	<u>89,594</u>
<u>Short Term Borrowings</u>			
Bank overdrafts	-	3,948	3,948
Revolving credits	-	688	688
Bankers acceptances	-	715	715
Term loan	1,540	13,205	14,745
Hire purchase liabilities	1,012	-	1,012
	<u>2,552</u>	<u>18,556</u>	<u>21,108</u>
Total Group Borrowings	<u>12,203</u>	<u>98,499</u>	<u>110,702</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)	155,081	79,943
Short Term Borrowings (Unsecured)	25,616	13,205



6. Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at 19 August 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 August 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 a profit before tax was higher by 40% and 113% respectively as compared with the immediate preceding quarter.

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

For the quarter under review, the Group achieved revenue and profit before taxation of RM111.65 million and RM9.62 million respectively, which is 80% and 94% higher when compared with the corresponding quarter in the preceding year. Such enhanced performance is derived mainly from construction activities and water concessions in China.

For the cumulative quarter to date, the Group recorded revenue and profit before tax of RM191.41 million and RM14.14 million representing 78% and 83% higher respectively as compared to the corresponding quarter in the preceding year.

10. Prospects

With a stronger order book in construction and improved profit contributions from China concessions, the Group is confident that the current financial year's performance will improve barring any unforeseen circumstances. The Group continues to expand its core businesses overseas and had set up an office in Ho Chi Minh City, Vietnam in April 2009 and is setting up an office in Hyderabad, India, to tap into the vast construction projects for water and wastewater in these two highly populated countries.

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 proposed for the cumulative quarter ended 30 June 2009.

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 6/30/2009	Comparative Quarter Ended 6/30/2008	Cumulative Quarter To-date 6/30/2009	Cumulative Quarter To-date 6/30/2008
Profit attributable to equity holders of the parent (RM'000)	<u>6,410</u>	<u>3,679</u>	<u>9,657</u>	<u>5,472</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>30,605</u>
Weighted average number of ordinary shares ('000)	<u>467,720</u>	<u>467,721</u>	<u>467,720</u>	<u>455,806</u>
Basic earnings per share (sen)	1.370 *	0.787 *	2.065 *	1.201 *

* 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 August 2009.

ON BEHALF OF THE BOARD

JAGGIT SINGH
Executive Director

Selangor Darul Ehsan
26 August 2009